

The detailed treatment of the German market order problem was necessary in order to lay the foundations for the European market order system. We will see in the course of further remarks that the European market order is nothing else than the logical continuation of the German market order. All the problems that arise here are also encountered in the large-scale economy. The variations that result from the fact that several national market organizations interact in the metropolitan area are only of secondary importance compared to the fundamental problems. It is self-evident that the principles of the German market system can be applied to the industrial economy of the members of the metropolitan area, but that the respective scope of the organizations and the intensity of the regulatory processes must be geared exclusively to the special market needs of each individual national economy. The goal of continental reorganization in the economic field is not the "organization of Europe", but the promotion of the productive forces of its area and the interdependence of national economies based on the division of labor to the advantage of all peoples. Before dealing with the economic policy of the greater metropolitan area, let us briefly review the development of Germany's foreign economic relations, i.e., Germany's foreign trade policy, and then develop the economic policy of the greater metropolitan area by establishing the lines of connection between the national market organization policy and the foreign trade policy.

A. The path to a large-scale market organization.

1. from free trade to managed foreign trade. Free trade knew governmental influence on foreign trade relations only to the extent that it created the preconditions for the smoothest possible operation of individual economies, i.e., economic entities, in foreign trade. Thus, trade policy essentially established only the legal basis for the establishment and exercise of trade and commerce. Economic activity, however, was left to the free play of forces. Similar to what we saw in the development of the market order, free trade was not a permanent state. The state soon had to intervene in foreign trade movements with its protective tariff policy.¹⁾ The protective tariff policy now does give rise to the viewpoint of the primacy of the national economy, but not in the sense of a conscious and planned control of overall foreign trade, but always from the standpoint of the individual trade. The protective tariff was determined on the basis of the specific situation of a particular branch of production or industry, i.e. the individual plight of the economic subjects was taken into account. After a temporary period of tight regulation of foreign trade during the First World War, efforts were made in the years 1924 to 1930 to return to the earlier methods of foreign trade policy, which, despite their fundamentally protective character, were to be regarded as permissive and individualistic.¹⁾ The increasing politicization of the world economy, however, inevitably led to a growing number of measures to close off trade, such as prohibitive tariffs, quotas, subsidies and the like.²⁾ But while the methods practiced up to the beginning of the 1930s can be described as inorganic from the point of view of the economy as a whole, in that they were mere "crutches" of a world economy still fundamentally based on the division of labor, the world economic crisis was the essential impetus for the transition to a national-organic foreign trade policy.³⁾ This development did not take place uniformly. Some countries moved more quickly and decisively to autonomous foreign trade management, others more or less hesitantly, depending on objective needs and world demands. As a textbook example of conscious national-organic foreign trade planning, we would like to outline the basic features of German foreign trade policy since 1933/35. The national-organic foreign trade principle states that foreign trade primarily serves to supplement the national supply of goods. This supply of goods by means of foreign trade is carried out in such a way that imports are not made inorganically – as is the case when the principle of acquisition is applied – but according to the urgency of their need, and that the counter-performance for imports (i.e. exports) is made with the most appropriate use of national economic power. The focus in dealing with import issues was no longer on the individual protection of an industry, but on the interests of the economy as a whole, i.e. the problem of procuring raw materials. The corresponding measures on the export side were also expressed in the

subordination of export activities to overall economic objectives. In this way, foreign trade policy refrained from supporting and promoting the individualistic principle of acquisition through state measures in order to serve the overall good, but instead focused on the principle of meeting needs, i.e. the priority of the overall good, and within this framework determined the possibilities of activity and the protection of the individual. Foreign exchange management became the instrument of foreign trade planning. The compulsory licensing of all foreign exchange activities led to a total control of imports. The monitoring of exports as a necessary correlate to the monitoring of imports was transferred to the audit offices. In detail, import and export activities were conducted according to the following principles:

a) Import in the controlled foreign trade. The most urgent items were to be imported first. This principle was not self-evident. It should be remembered that the main purpose of foreign exchange management was to protect the currency, and that it did not yet trigger demand planning. In the first phase of foreign exchange management, therefore, foreign exchange was allocated in proportion to imports made earlier (i.e., as a purely aggregate quota) without regard to the degree of urgency of the imported goods. It was only gradually that the principle of directing imports according to the degree of urgency emerged. For a given export volume (and the export volume was always much scarcer than the most urgent domestic needs at the beginning of the German domestic boom), those products were imported first which were most necessary for the national economy (i.e. foodstuffs and raw materials as opposed to finished goods or even luxury goods). In addition, in order to eliminate "export pressure" and to establish the greatest possible supply autonomy, autarky production was strongly promoted. Furthermore, imports were to be made primarily from complementary economies in neighboring areas, even if they had to be purchased more expensively than overseas. In other respects, however, the principle was to import as cheaply as possible so that the greatest possible volume could be imported for a given export volume.

b) Exports in the controlled foreign economy

a) Sales markets. The national-organic export planning endeavored¹⁾ to deliver only to those markets which provided the highest foreign exchange value. Foreign exchange value is not a purely numerical measure, but is expressed in terms of the quantity of goods that Germany could reimport for that foreign exchange. In this sense, the highest foreign exchange value was achieved with the so-called effective or free foreign exchange, with which everything could be procured everywhere. If, on the other hand, the foreign exchange was tied (clearing or payment agreements), the value of the foreign exchange was quite differentiated. If, for example, ores could be traded in one exporting country and raisins in another, the country from which the ores could be imported was naturally more important than the raisin-producing country, provided there was a shortage of ore.

β) Export goods. The national-organic export policy aimed at exporting, if possible, those goods that yielded the highest possible return in relation to their economic and managerial cost. With regard to the materials used, for example, preference was to be given to products that contained no or only few scarce raw materials. In particular, the share of foreign raw materials was to be kept as low as possible. Corresponding economic considerations also extended to the factor "labor". For example, in the years when unemployment still prevailed, preference was given to exporting products that were as labor-intensive as possible. As the labor market became increasingly tense, this point of view receded more and more into the background. The question of directing export goods according to their intended use also plays a role here. Naturally, the export of consumer goods was preferred to that of production goods, in order to prevent the export of capital goods from affecting the export volume in the long run.

γ) Exporting firms. Preference was given to exporting firms that were able to produce their export goods at the lowest cost. Thus, export activities were concentrated on the most favorable production capacities. This principle was particularly important when exports were subsidized and financial resources were saved by shifting export activity to the lowest-cost plants. However, the planning of export operations was at the same time associated with an industry shakeout.

Unprofessional and unreliable exporters were gradually eliminated in favor of the experienced and reliable ones. This principle is of particular importance when one considers that the foreign trade merchant is the "visiting card" of his national economy and thus of his people. 8) Export prices. The higher the export price, the higher the volume of goods that could be imported. A national-organic export economy must therefore devote special attention to export price policy and apply methods that ensure the most favorable price level possible for exports.

This is the basic outline of import and export control in national-organic foreign trade policy. We have limited ourselves to a schematic presentation in order to make the essence of the new foreign trade policy as clear as possible, on the one hand, and on the other hand, to make the lines of connection to large-scale economic policy more recognizable. 2 National Organic Foreign Trade Policy and Greater Economic Policy. What are the connections between the national-organic trade policy and the large-scale economic policy?

National-organic foreign trade policy presupposes a domestic market order, because it is only from this that the principles of a national-organic foreign trade policy are developed. The domestic economic market order is characterized by the principle of covering one's needs (in contrast to the principle of acquisition) and by the striving for self-sufficiency and a far-reaching national division of labor (in contrast to the world economic division of labor). This shows that national-organic trade policy and large-scale economic policy pursue the same goals in their basic endeavors. There is only a difference in degree. Autarky cannot be realized in the national economy, but it can be realized to a large extent in the large-scale economy. Furthermore, the national division of labor is extended by the large-scale division of labor, which considerably increases productivity. The national-organic trade policy proceeds from the exchange principle. Foreign trade is not determined by polygonal world economic interdependencies (the inorganic interaction of capital, credit and commodity transactions from the point of view of a national-organic economic policy), but by the principle of "commodity against commodity". We explicitly do not use the term "reciprocity principle", because this presupposes the exchange between only two partners at a time, whereas in the large-scale economy the multilateral exchange is aimed at. The basic feature of the principle of exchange, that ultimately "goods are exchanged for goods" and "services are exchanged for services", is, however, also prevalent in multilateral trade - with the allowance, however, of spatial "exchange detours". Thus, foreign trade activity is built on the sphere of goods and not on the sphere of money. We see, then, that the barter principle, in conjunction with the principle of priority of neighboring traffic, is promoted in the same way in national-organic trade policy and in metropolitan economic policy. However, here again there is a gradual difference insofar as the national-organic trade policy essentially remains stuck in the "trade relations, while, in addition, the large-scale economic policy strives for a mobilization of the complementary production forces of the participating national economies and thus allows the relations to pass from the sphere of trade into that of production, i.e. into the "interspatial division of labor". The price policy principle of the national-organic foreign trade policy is to import as cheaply as possible and to export as expensively as possible. However, this applies only with certain reservations. The price principle is deliberately violated if the spatial principle is opposed to it. Thus, price concessions are made to both sides (import and export) if this promotes the expansion of neighboring trade. In this way, the national-organic trade policy again works in the sense of the large-area economic policy, for we have seen that the large-area economy can and must have an independent price structure vis-à-vis the world market. 3. the large-scale market organization and its organizational foundations. This shows the essential interrelations between the national-organic trade policy and the large-area economic policy. Before discussing the methods of large-area economic policy in detail, let us examine the purely organizational problems. If we look at German foreign trade policy since the Great Depression and

relate it to a meaningful large-scale economic policy, we find that the regional principle was the supreme organizational principle, that the factual principle followed, and that only then did the technical concerns come into play. The regional principle was, of course, predominant inasmuch as the idea of large-scale economic cooperation in foreign trade was only weakly developed and thus each country oriented its measures nationally – i.e. regionally, if viewed from the standpoint of the large-scale economy – without regard to large-scale economic expediency. We will see that metropolitan economic policy has to work in the opposite order in order to fulfill the demands made on it. The most essential goal of metropolitan economic policy is to promote productive economic forces within the metropolitan area and to bring about the most expedient interspatial division of labor. However, this goal can only be achieved if there is an organization that has an overall view of a certain product or type of goods. Therefore, the basic demand on the future large-scale economic policy – just as we saw it with the national market organization policy – must be: Priority of the specialized organizational principle! The predominance of the regional and subject organization principle in trade policy up to now is easy to explain. Since the Great Depression, every country has been striving to get its own balance of payments in order, to stimulate its own industry, to pursue its own price policy, etc. This has resulted in a "holistic" approach to trade policy. The result is a "holistic", but national, regional and thus narrow planning, which does not have to correspond to the present large-scale concerns, and is often even diametrically opposed to them. If, for example, Germany had a need for imports from a certain country that far exceeded the normal export possibilities to that country, under the system of the national-organizational principle of foreign trade, exports to that country had to be forced by all means. However, this could lead to products being exported which, from the point of view of a reasonable large-scale division of labor, would not have been sold to the country in question to this extent. Furthermore, the principles of overall planning could be violated if exports had to be curtailed because the trade situation prevented the import of sufficient quantities of the raw materials available in another country. The inevitable consequence was that another competitor, mostly from outside the country, entered the business, even though Germany could have provided the best production conditions for the manufacture of this product. These examples show that the organizational principle of the past years in foreign trade had to be a regional one due to the given conditions. The overall economy and the totality of the foreign trade situation determined the trade policy measures. Within the framework of the import and export policy, the product had to be oriented to the overall conditions, even at the risk of violating the principles of a healthy inter-regional division of labor from the point of view of an overall planning in a large area. The factual principle of organization also triggers a number of drawbacks in the national-organic trade policy. The national-organic trade policy had at first the goal to free the national economy from the chaos of the world economic interdependence. However, this process took place gradually, since, as mentioned above, on the one hand the steering needs emerged only gradually, and on the other hand experience had to be gained first for the steering methods. Just as the regional principle gave priority to the interests of the national economy, this inevitably led to the need to give priority to the subject areas over the specialist areas in terms of organizational support. The following examples, taken at random, show how the "growth" of individual problems has resulted in organizational measures which, from the point of view of constructive large-scale planning, are piecemeal and would thus violate the principles of sensible control of the inter-area division of labor, apart from the fact that they also bear witness to the overdimensioning of the foreign trade organization. a) Customs and quota policy. The economic groups supervise the import and export companies in this area and make proposals to the Reich Ministry of Economics for changes in tariffs and quotas or comment on tariff and quota requests from Germany and abroad. The examination offices, on the other hand, have the general task of directing and promoting exports. It goes without saying that, in the context of a total market economy,

export control and customs policy must be handled by a single body in accordance with the market organization needs of a particular product in the market economy. The same applies to the import side. We will return to the reasons for this need for concentration in detail later.

b) Establishment of foreign branches by German firms. The foreign exchange offices deal with such projects from the point of view of foreign exchange, while the examination offices examine the expediency of such establishments from the point of view of exports. In the large-scale economy, there is no need for duplication of effort, since the foreign exchange problem recedes into the background. The foreign exchange offices, if they were to remain involved at all, could therefore limit themselves to a purely registration function.

(c) Cession of procedures to foreign countries. The economic groups examine whether licensing is in Germany's export interests. However, this problem area also strongly affects the examination offices which supervise the export of the product in question. In an overall European plan, the assessment of such questions must naturally be in one hand.

d) International cartels. Supervision of international cartels is the responsibility of the economic groups. However, since international cartels have a strong impact on German export policy, the audit offices also have a special interest in this area from the export point of view. In a large-scale planning system, duplication of processing is not acceptable.

e) Merchandise management. Commodity management, as a "functional" organization, is perfectly justifiable in the case of severe shortages or in the case of a supply situation that requires tight control of raw material consumption according to the urgency of the intended use. However, as the raw material situation improves or the shortages are eliminated, it is no longer justifiable for commodity management to lead an independent existence. It must of necessity become part of the "market order" which centrally controls all economic processes of the "product".

f) Market research and market observation. However, the organizational duplication in the field of market research and market observation is obvious. A wide variety of official, semi-official and private agencies often deal with the same tasks, and the results cannot always be described as usable. For example, comprehensive surveys were written for certain countries and products, and it later turned out that there was no macroeconomic interest in exporting the products in question or in supplying the market in question. In a large-scale economy, of course, it can only make sense to entrust market research and market monitoring to the entrepreneurs or to the relevant professional organizations. These examples could be multiplied at will. They show us how important it is to reorganize the market organization of the metropolitan area economy. A simplification of the organization is urgently needed even before the non-German areas are included in the total planning, because the organizational overlaps would only become unbearable if the same institutions as exist at present in Germany were to be transferred in the same form to other countries. The first signs of such organizational difficulties are already making themselves felt in the occupied territories. It is said that three representatives of German authorities were present at the same time in a Western capital to negotiate with the responsible authorities about one and the same product, one from the raw material side, the other from the cartel side and the third from the export side. It must be emphasized once again that, even in a large-scale economy, the product must be the central point on which all organizational activity is concentrated. There is no longer a separate export policy¹⁾, import policy, price policy, management policy, etc., all these factual or regional institutes merge into the total large-scale planning, which is determined by the product. From this central planning system only the factual organizations radiate in the second line. According to which organizational principles does the planning of the product take place in the European metropolitan area?

Let us recall the system (state, economic groups, cartels) which we established for the German domestic market organization. The same principle will have to be applied to the economic organization in the large-scale economy, because the large-scale economic policy is necessarily the counterpart of a national market organization policy.

a) States. a) The governments, represented by the responsible

ministries, have the prime responsibility for drawing up the European autarky plan – and for the intergovernmental coordination of it. The governments have to check continuously whether the European economic potential is capable of meeting the "security needs". The necessary development of basic industries, however, will be left largely to the economy itself. Governments must continue to define the broad lines of economic cooperation. For example, one such agreement states: "The two governments, in shaping trade relations between the two countries, will take care to ensure that the German market for Romanian products remains a secure outlet with reasonable prices independent of economic crises, and that the importance of the Romanian market for trade with Germany continues to grow" 1). B) Governments must also lay the foundations for the cooperation of business organizations and business associations. An important step towards the involvement of the economic self-government in the intergovernmental negotiations is the creation of the so-called "industrial committees". The industrial committees of the respective negotiating parties are to discuss together the possibilities for intensification of their economies and to make appropriate proposals both to the governments and to the industry. As valuable as the establishment of these industrial committees is, there is a danger that such bilateral planning work will pay too little attention to the problems of the entire metropolitan area. y) One of the most important tasks, reserved exclusively for the states, is the establishment of sound and stable monetary relations, without which metropolitan economic cooperation is unthinkable in the long run. If we consider the extent of the cooperation between the individual countries, the traditional expression "trade policy" is no longer appropriate. Trade policy is being replaced by macroeconomic policy. Greater economic policy not only regulates trade in the greater area, but also harmonizes the internal structure of the national economies – while preserving the lifestyle of the peoples – in order to create the most favorable conditions for intensifying the mutual exchange of goods. b) Economic groups. Analogous to the German economic groups, as we have dealt with them in the section on "Market Organization," the other European states must also proceed to the establishment of such organizations. The activities of these groups need not be discussed in detail here, since they have already been dealt with in the presentation of the German market organization and will be described in more detail in the section on "Large-scale Cartels". c) Large-scale cartels. The international cartels will take over the functions for the European area which the future "total cartel" will have to perform for the German market. The old-style international cartel will, however, change into the "large-scale cartel", the structure and activities of which we will now discuss in detail. B. Large-scale market organization by large-scale cartels. Authoritative men in the German business community have repeatedly emphasized that the organization of the European large-scale economy must be carried out primarily by the entrepreneur or by the organization of the entrepreneur. State Secretary Dr. Landfried, for example, said: 1) "In a few decades, European customs barriers and currency walls may seem as incomprehensible to our descendants as the economic disunity of our fatherland seemed to us Germans in the first half of the last century before the founding of the German Customs Union. At the present time, however, it seems to me much more important that first of all the economic people, the companies, groups and economic organizations find their way to an honest, trusting cooperation, then the necessary governmental regulations for the elimination of all obstacles hindering the cooperation will inevitably follow!" Ministerial Director Dr. Schlotterer expresses himself in the same sense: 2) "The combination of the different national economies of Europe must therefore reach much deeper than any state economic regulation can ever do. It must encompass the cooperation between the economic people, economic groups, companies and economic organizations, i.e. areas which the state cannot cover and deal with in each individual life activity. There is even an interest, in the coming economic reorganization, to limit the area of state regulation in the economy and instead to leave the occupation with everyday problems to the economy in detail (independently according to state general guidelines) itself." Elsewhere

Schlotterer says: "... Numerous countries are now in the process of creating economic organizations based on the German model, and in part with German assistance, which can grow up to be the bearers of the future self-government of the country. The purpose should not be to replace the state bureaucracy with a bureaucracy of associations and to suffocate the economy in an organizational undergrowth, but to create organizational forms that are close to life and as simple as possible, in which practical economists speak and regulate economic affairs as unbureaucratically as possible." In a lecture on the subject of "Bureaucratic or Entrepreneurial Economy?", President Kehrl said, among other things, that the state needed the productive cooperation of entrepreneurs, especially in view of the enormous tasks involved in the economic construction of Europe. Economic self-administration was the most economical way for the state to put its basic economic ideas into practice.¹⁾ The Chief Executive of the Economic Group of the Electrical Industry particularly appreciates the importance of the cartel in future European planning:²⁾ "The international cartel as an important instrument in the future shaping of the European large-scale economy will also be increasingly used in the electrical industry. First of all, it will be necessary to examine the possibility of setting new quotas to compensate for the damage caused by the Versailles Dictate. By fixing prices and conditions of supply, it will be necessary to eliminate a policy of undercutting by foreign competitors which is injurious to German exports. By aligning prices and delivery conditions, national industries will enable German imperial firms to compete even where this has not been possible up to now for such reasons. Likewise, the affiliation of disruptive outsiders to existing international cartels should be considered. Typification and standardization agreements will complete the preliminary picture of such future cartel tasks." Winschuh says in his paper "Der Unternehmer im neuen Europa" (The Entrepreneur in the New Europe):¹⁾ "Both the cartel experience and the experience in market organization of the Reichsnährstand will be of great benefit to us in the development of the European economic order, and the well-educated cartel merchant, who is also trained in negotiation, will be able to play just as great a role in the establishment of the necessary interlocking and balancing as, for example, the trained organizer of the Reichsnährstand." The magazine "Der deutsche Volkswirt" says:²⁾ "Economic cooperation, moreover, will not only be expressed through state treaties, but this framework will have to be filled out by the comradely cooperation of the entrepreneurs and their organizations. With the help of international cartels, justified national peculiarities can be spared down to the smallest details and, on the other hand, the gradual strengthening of backward industries and factories can be prepared." In a review of the "Frankfurter Zeitung" about the "space of the entrepreneur" it says among other things:³⁾ ""The governments settle everything among themselves, and there is less and less space left for the entrepreneurial spirit of the economy."" Wrong! The space for the German entrepreneur, for the German expert, is about to become as wide as ever again, perhaps not so much in imports and exports themselves, although there, too, one must not confuse wartime economic practice with preconceived plans or the "march of time". But foreign economic relations everywhere have long since progressed beyond the "exchange of goods" to its preconditions. Even in intergovernmental committee negotiations, business people are becoming more and more in the majority over ministerial representatives. The forms and applications of private initiative are changing. Its necessity and its chances are certainly not less than ever before. To bring about the new division of labor on the continent, to fill the much talked about "new economic order" with content, with life, who is primarily charged with this? The entrepreneur, who is aware of his responsibility both internally and externally, who knows how to think and discuss in large contexts and dimensions." Prinzing concludes a treatise on the use of inter-national cartels in the reorganization of European economic relations as follows:¹⁾ "From these points of view it follows that the international cartel can be meaningfully integrated into the inter-European exchange of goods as a purely technical instrument of economic organization; and

no longer as a political means of struggle. Precisely because the exaggerated claim of the shaping task of the international cartels has been limited to a reasonable level, there is a justified prospect that it can become a permanent shaping element of the European economy." Dr. H. Müllensiefen, the former head of the Cartel Supervision Department of the Reichsgruppe Industrie, in an essay entitled "Internationale Kartelle und europäische Großraumwirtschaft" ¹⁾ discusses the possibilities of the future use of cartels for European planning and concludes his observations with the sentence:

"The business community will regard it as its most obligatory task to use private initiative and its experience in the field of inter- national economic cooperation in order to make its contribution to the reorganization of the European economic area for the benefit of all concerned." These statements of opinion could be extended at will.²⁾ Regardless of the position taken on the problem, whether by ministerial officials, business organizations, entrepreneurs or the trade press, the point of view that entrepreneurs and their organizations offer the best guarantee for a meaningful integration and development of the European economy is expressed everywhere. I. The development towards a large-scale cartel. If the basic idea behind our remarks on the ideal German market organization is to bring the activity of the committed entrepreneur back to the forefront of economic activity, this applies to a much greater extent to the economic organization of a metropolitan area. In the treatment of the basic principles of the metropolitan economy, the lack of homogeneity of the European continent was pointed out. In a metropolitan area which comprises such different national temperaments, "bureaucratic" measures are therefore even less appropriate than in one's own country. If the essence of the German people is, in its innermost nature, permeated by the character of order, and this trait has been consciously promoted in recent years, among many other European peoples this consciousness of order is far from being so pronounced. One only has to compare the results and effects of the German with, for example, the Southeast European state management of raw materials and foodstuffs during the war to realize the importance of this aspect. If we have already experienced in the German economy how detrimental an overemphasis on state administration can be, we do not need to examine state bureaucracy in the large-scale economy in order to provide evidence of its unfavorable effects. Apart from that, it must be kept in mind that many economies of the European continent are still too undeveloped to provide the organic prerequisites for a managed economy. The cartel as an "organization of entrepreneurs" is therefore likely to be the appropriate basis for "large-scale economic policy". It is the given instrument to bridge the intellectual and economic heterogeneity in the European area. The international cartel, the forerunner of the 'Groß- raumkartell', has already proved its worth in this sense. This assertion is not so much meant to be a valuation of the previous international cartel policy, but rather to refer to its technique. The technique of inter- national cartel policy has been so versatile, however, "the cartels themselves have proved so agile in recent years that one may well claim: There are no tasks that one is not capable of solving with them." ¹⁾ Of particular importance is the observation that over the years and decades personal friendships have developed among the international cartel partners which are far more likely to promote community than the most advantageous state treaties and administrative acts can be. This valuable treasure of personal relationships can now be put at the service of metropolitan planning. In particular, it should be remembered that after the World War, many entrepreneurs in the former enemy states had already come to an understanding even before the governments took steps to reapproach trade policy. Indeed, in many cases the business associations even paved the way for government trade policy. For the Greater Region, the old practical experience is particularly true: If two people say the same thing, it is far from being the same thing, i.e. the entrepreneur in Romania or Norway, for example, will be more inclined to see the expediency of a market organization proposal at the negotiating table with his international partners than if the same plan were presented or "suggested" to him "from above". From a psychological and factual point of

view, it is therefore of far greater importance in the metropolitan area that the industry largely manages itself. The idea of using the international cartel to overcome the economic fragmentation in Europe is by no means new. Already after the World War the slogan "The international cartels prepare the large-scale economy" was coined. The European economy was supposed to overcome the aftermath of the war by expanding the cartel organizations and to blossom again. Numerous memoranda on this subject were submitted to the League of Nations at the time. It was even proposed that an international cartel office be set up at the League of Nations, which would function as a supranational organization and be endowed with coercive power. How seriously the idea of a "European cartel" was already being considered at that time can be seen from a statement by the Frenchman Loücheur:¹ "I see the day coming when every industry in the world will be organized in such a way, where each will have a kind of chairman who, with his tact, will know how to create the necessary harmonious atmosphere and destroy economic anarchy." However, it was not yet possible at that time to put such plans into practice. The proposals were bound to fail because of the political and world conditions. In the battle over the "European cartel", some held the view that the European cartel associations should be self-directing because any state influence could only hinder sensible economic development, while others considered the influence of state leaders on the cartels to be unavoidably necessary, although there was no agreement on the form in which the individual governments should exercise their influence. But what was far more serious in this conflict of opinions was the fact that the whole plan was based on anything but purely economic goals with regard to a reasonable intracontinental cooperation. The representatives of the private cartels rather sought to give their capital interests a dominant influence, while for the representatives of the state cartels often only purely political backgrounds were decisive. France and its Versailles friends, for example, sought international cartelization only in order to protect and promote their own industries, without regard to whether these had a right to exist from a continental point of view. This conflict of views will be superfluous in the future large-scale economy, for on the one hand there will no longer be any discussion

about whether the state stands above the economy or the economy above the state, and on the other hand an expedient European division of labor based on fair performance evaluation will be able to take place without political inhibitions. Indeed, today's policy creates the preconditions for each economic area to receive a position in the European economic community corresponding to the natural weight of its achievements. Once the political and ideological foundations have been laid, the idea of a "European cartel" can be put into practice. The economic policy of the Greater Europe area can already draw on existing foundations to a large extent. Germany was involved in about 250 international cartels before the outbreak of war. But just as the number of cartels on the domestic market does not give a picture of their importance in terms of volume, the same is true of international cartelization. Just as in the domestic market, almost all important products in international trade are subject to some kind of market agreement. To illustrate the great importance of international cartels, it may be mentioned that in the chemical industry, a particularly heavily cartelized branch of industry, about 60% of exports are made within the framework of international cartels. From the cartelized zones of all branches of industry a market order radiates on the one hand through the numerous cross-connections to other production stages, on the other hand they have a market-ordering effect even on completely free zones in a catalytic sense. If international cartels have not been so prominent in the last pre-war years, this fact is essentially due to the fact that private-sector agreements are largely overshadowed by state activity in foreign trade (supply and purchase agreements, import and export controls). With regard to the already existing extent of international cartelization, the promotion of the wholesale cartel idea thus does not at all imply a violent constructivism, as would inevitably be created by "wholesale authorities," but it represents reconstruction and expansion of something that already exists. Just as we saw in the treatment

of the German market order, however, the idea of the large-scale cartel is by no means intended to entail a total bureaucracy of associations. Analogous to the domestic cartel, not every large-scale cartel needs to operate within the framework of a tight price and quota agreement. The degree of cartelization is determined solely by the respective need for market organization. This in turn is determined by the possible need to influence production activity as a whole, or by the need to eliminate unhealthy competition. In this case, however, there will be large cartel-free zones in the metropolitan area, because production and sales are often geographically localized and thus self-sufficient in terms of market policy.

1. The international cartels. In the free world economy, international cartels had essentially the same character as national ones.

At most, special problems could arise because of different growth conditions in the various markets, resulting in tensions on the supply or demand side. In the long run, however, such tensions did not have a particularly unfavorable effect, both structurally and cyclically, as a result of the extensive interdependence of the world economy. It was only when the responsiveness of individual economies began to decline that this problem could have more serious consequences for international cartel policy. As a rule, however, the cartels countered any difficulties by entering into territorial agreements. These are thus basically nothing more than a natural reaction of industry to damage caused or possible damage caused by unrestrained international labor division. However, it cannot be ignored that a rigid territorial order also entailed manifold economic disadvantages. We will deal with this problem in more detail later when we discuss the large-area market organization. By the time of the World War, the cartels had already acquired a significant weight in the world economy, but the principle of free competition still prevailed. It was not until the aftermath of the world war that international cartels gained a dominant position in world trade. Initially, all important raw materials were cartelized during the world war for reasons of supply policy. After a temporary easing of the cartel situation in the industrial sector in the first years after the war due to the great hunger for goods, comprehensive market agreements soon proved to be unavoidably necessary. The industrialized countries and the belligerent countries had greatly expanded their capacities for war-related economic reasons, while the former agricultural countries had switched to their own production for lack of sufficient supplies from the belligerent countries. After the end of the war, these structural shifts naturally resulted in a strong oversupply and thus in price wars. In order to protect itself from ruin, the industry consequently resorted to cartelization. The separation of uniform economic areas brought about by the peace dictates reinforced the cartelization tendencies. One need only recall the founding of the potash cartel and the international cartelization of iron production after the separation of Lorraine from the Reich. Another major wave of cartels was triggered by the various currency devaluations since the beginning of the 1930s. To counter competition from the devaluation countries (and from those countries supplied with raw materials by the devaluation countries), German entrepreneurs sought to secure their former market share through cartel agreements wherever possible. While the policy of international cartels in the liberal era of foreign trade was primarily of a private-sector nature (although private-sector measures did not always have to be against the public interest), cartel measures in the national-organic foreign trade policy had to be subordinated to the national interest. With the beginning of the national-organic foreign trade era, therefore, an evaluation of cartel activities with respect to national interests had to begin. In general, it can be argued that the positive effects of international cartels (here, only the industrial cartels in which Germany participated are considered, and not the large international commodity cartels) outweighed the negative effects. Territorial agreements generally kept foreign competitors out of the domestic market, which was particularly important at the time for labor market policy reasons. The price agreements secured a considerable amount of foreign exchange, which was particularly important after the currency devaluations. The importance of this aspect can be seen from the fact that, for example, the

value of German chemical industry exports (which, as already mentioned, are to a particularly large extent internationally cartelized) fell to only 46.4% in 1934/35 compared with 1929, while total German exports fell to 31.7% in the same period. This relative crisis resistance of German chemical exports is mainly attributed to the favorable effect of cartelization. The negative effects of international cartelization could result from the fact that the increasing spatial orientation within the framework of national-organizational trade policy was hindered by the more or less rigid cartel agreements. Furthermore, serious disadvantages for the national economy could result from the fact that foreign industry could become a beneficiary of the autonomous national economic policy within the framework of overall quota agreements.¹⁾ We refrain from discussing the problem of international cartelization in more detail in this context, since, on the one hand, this area has been treated in detail in the literature²⁾, and, on the other hand, the policy of the earlier international cartels is appreciated in the systemic presentation of the large-scale cartel.

2) The supervision of the international cartels. Until August 1940, there was no actual German supervision of international cartels or of the cartel policy of German parts of international cartels in the foreign market. Of course, the cartels were bound by the substantive provisions of German foreign trade. For example, the cartels had to observe the provisions of the Foreign Exchange Act in their business policy; furthermore, the examination offices had a significant influence on the policy of international cartels in the context of their export promotion and monitoring. Finally, the Reichsstellen were also able to intervene in cartel activities from the import side. However, there was no body that centrally supervised and guided the cartels in their legal policy, i.e. there was no centralized cartel supervision. The cartel supervision of the economic groups did extend to the German part or the German member companies of international cartels, but only to the extent that the cartel effects on the German market were subject to supervision. With regard to the international sector, cartel supervision could at best have been described as protective supervision, insofar as national cartel supervision was to be exercised in such a way that international agreements were not jeopardized by measures extending to the German part. Thus, the cartel commentary by Müllensiefen-Dörinkel states: "The fulfillment of the new obligations of the international cartels vis-à-vis the cartel supervisory authorities and the assertion of the supervisory rights by the groups must not lead to an aggravation of the position of the German firms vis-à-vis the foreign members of the international cartels. On the contrary, they must be given every justifiable support." ¹⁾ It is thus assumed - which was probably true in most cases in the last years before the war - that the existence and activity of the international

cartels was in Germany's export interests by preventing destructive pricing policies. In August 1940, the groups' cartel supervision was extended to international cartels. However, it is essentially only a duty to inform the German members of international cartels about planned cartel changes of a substantial nature, about new establishments and the like. "Der deutsche Volkswirt" writes about this, among other things: "The incipient reorganization of the European economy will give international cartels the opportunity to take account of the new conditions by changing their organization or contracts. Furthermore, new agreements on goods or markets not yet covered by international regulation are likely to emerge. On the other hand, the possibility and advisability of cartel dissolutions may also arise. The necessity of reconciling international agreements with national economic requirements necessitates timely information of the economic leadership and the Reich and economic groups about the intentions of the German participants.¹⁾ Such information not only serves national economic interests, but is also in the well-understood interest of the economic circles in question themselves." ²⁾ In order to meet the requirements of sensible large-scale planning, international cartel supervision must be considerably expanded and intensified in the future. State supervision of cartels and thus of the European market order must become a permanent institution in the continental economic bloc. The "possible organization

of future cartel supervision is discussed below. II. The large-scale cartel and its organizational framework. We recall the market organization ranking state - economic group - cartel, which we have also established for the metropolitan area. In this context, we will refrain from dealing with the tasks of the state in the field of trade and monetary policy in the metropolitan area, but rather deal with the problem of the European market organization from the cartel side, and then go into more detail on the problems of state economic policy as they inevitably arise from the market organization principles of the total metropolitan area cartel. The economic group whose market-regulating tasks we want to see summarized in a "cartel office" would be directly superordinate to the large-scale cartel. The existing cartel units of the economic groups would therefore have to be expanded in line with their new functions. The "Central Cartel Office" would be superordinate to the cartel offices. On the basis of the tasks assigned to it, this would correspond on the one hand to the former "Cartel Supervision" department of the Reich Industry Group, and on the other hand to the Cartel Department or the specialized departments of the Reich Ministry of Economics.¹⁾ From a practical point of view, the question would have to be clarified as to what kind of division of tasks between these two bodies would be necessary in order to avoid duplication of work. It would be advisable for the Reich Ministry of Economics to supervise the cartel offices, while the task of the Central Cartel Office of the Reich Industry Group would be to deal with basic market organization, legal and intergovernmental cartel issues. However, the Reichsgruppe would also have to be kept up to date on all factual problems, as this is the only way to ensure effective work by this body. When the tasks of the "Central Cartel Office" are discussed below, the factual and organizational problems will be dealt with in a coherent manner, i.e. not subdivided according to the two aforementioned bodies. It is inevitable that cartel supervision according to the German model will also be introduced in the non-German economic areas of the Greater European Area. The scope and face of the organization in other countries will, of course, vary according to the degree of industrialization. The following structure and description of the functioning of the cartel organization is based on German conditions. 1 The Central Cartel Office. a) The Central Cartel Office is the supreme authority for market regulation;

It is therefore responsible for: a) making the final decisions in matters of specialized cartel supervision; b) maintaining close contact with the highest authorities (economic and trade policy, price policy, raw materials policy, etc.) and coordinating its specialized decisions and its instructions of a fundamental nature to the lower bodies with the relevant authorities. b) The Central Cartel Office shall maintain contact with the Central Cartel Offices of the other European countries, if any, firstly in dealing with important questions of principle and secondly in deciding on questions of subject matter on which the Greater Cartel Office or the individual state cartel offices cannot agree. c) Accordingly, the Central Cartel Office is the appeal authority for the decisions of the cartel authorities. Furthermore, the cartel authorities have to complain about possible measures, infringements and the like of foreign cartel authorities via their competent central cartel authority. d) The cartel law, which is currently very different and confusing in the individual countries, would have to be redesigned and, if possible, standardized for the entire European area. e) General principles of market regulation for the European area would have to be worked out. With regard to market organization and cartel techniques, similar basic rules must be established as those which have been or are being worked out for accounting in accordance with the known business management findings of the Reich Ministry of Economics. f) Cooperation with other countries must also be established in the field of business management in order to prepare the ground for a healthy market organization (company agreements). g) A model organization plan for a large-scale cartel as well as simple and clear model statutes should be drawn up. An appropriately structured cartel agreement is indispensable for effective cartel supervision. Due to the historical development and the often innumerable changes in the contractual provisions, many cartel

agreements have become a "book with seven seals". In the future, an appropriately structured basic agreement must be concluded, to which supplementary agreements will be concluded on the details subject to ongoing changes. h) Uniform and appropriate classification schemes must also be established for the cartel's production and sales statistics. The sales statistics must be structured in such a way that sales can be controlled at any time according to the urgency of consumption. i) A central cartel register must be set up. A central cartel register must be set up, covering not only the German but also the international participants in the large-scale cartels. The cartel register must contain not only the nature of the agreements, but also information on raw material (j) procurement, operating sites, production conditions and the like. In a sense, the register must be the mirror image of a large-scale cartel. k) The central cartel office would have to arrange for the publication of a journal entitled "Das Großraumkartell", in which all fundamental questions of the European market organization, regulations and the like would have to be dealt with from a high vantage point. (a) The cartel authorities are the supervisory bodies for the individual cartels which are technically subordinated to them. They may exercise their supervision directly or delegate it to subsidiary cartel units (specialized groups), which shall be accountable to the cartel unit for their policies. b) The cartel units shall be responsible to the central cartel unit for their actions. They shall take decisions of fundamental importance only in agreement with the Central Cartel Office. The extent to which communication between the cartel offices and the subject-area organizational bodies may be taken into consideration shall be determined by practical work. In the case of all decisions relating to the subject matter (e.g. commercial contracts), the cartel offices for their area of responsibility shall be heard. c) The cartels should be compensated for damages resulting from measures of the cartel authorities which can be traced back to a clear fault of the cartel authorities. The higher the level in the hierarchy of the economic organization, the greater should be the sense of responsibility, which should also include concrete responsibility for wrongdoing. d) The cartel office also serves as an intermediary for requests of all kinds from the cartel members which do not relate directly to market regulation tasks (e.g. tax law and tariff issues). On the one hand, the Cartel Office can best comment on such requests from its expertise; on the other hand, it is expedient for the Cartel Office to remain informed about all ongoing problems of its cartels. The extent to which the other units of the economic group are involved in this support activity will depend on the circumstances in each case. e) The cartel offices cooperate closely with the corresponding cartel offices of the other European sub-regions in order to ensure a policy in their market regulation sector which is in line with the interests of the greater region. The involvement of the central cartel body or governments should only take place in urgent cases. f) In line with our demand that corporations be fully involved in market regulation, the supervision of the cartel authorities also extends to the market policy of the corporations. If, as we have said, the German economy can be loosened up, international (i.e., intracontinental) grouping will be of great importance insofar as many industrial projects in the various European regions can be carried out only with German assistance.¹⁾ However, it is not acceptable that these non-German establishments are

"bird-free" in terms of market regulation. The disadvantages of the lack of German control over foreign establishments have become apparent many times in recent years. g) The measures taken by the cartel authorities are not to be dictatorial, but are to be taken after detailed consultation with the industry concerned. The cartel office must prefer advisory supervision to regulatory control. If possible, it must not make "decisions", but rather cartel policy must result from ongoing cooperation between the cartel office and the cartels based on trust. "Decisions," possibly coercive ones, can easily undermine entrepreneurial initiative. If, in addition, they are improper, they can significantly jeopardize cartel morale. Thus, even more difficult problems of cartel policy, such as the establishment of production facilities, expansions, closures, plant acquisitions and relocations, must be decided, if possible, not by

"administrative acts" but by "written confirmations of verbal agreements". e) Although cooperation on the basis of trust is the rule, certain basic obligations of the cartels must be laid down by order and, if necessary, enforced by penal provisions. For example, the establishment, expansion, relocation, participation and acquisition of businesses must be subject to approval. Furthermore, changes in contracts of a substantial nature (the term "substantial" is to be defined in more detail on a case-by-case basis), terminations, and new contracts must be subject to approval. Furthermore, the cartel must be subject to the obligation to provide information to the full extent. f) Invitations to all cartel meetings must be sent to the cartel office. Participation in these meetings by the cartel body should, however, only take place in exceptional cases, since (especially in the case of international meetings) it is expedient for psychological reasons to keep the entrepreneurs "among themselves" as far as possible. This would also correspond to the true concept of "self-government" of the economy. This would in no way deprive the Cartel Office of the possibility of influencing the broad guidelines of cartel policy, since, as already stated, all essential cartel measures are to be taken only after consultation with the Cartel Office. In addition, the cartel supervisory authority is not only supposed to steer the economy from the green table. On the contrary, it is in the interest of economic management as well as in the interest of the economy itself that the supervisory body constantly goes into the middle of the economy in order to be able to receive and give suggestions from direct observation. The more the "bureaucracy" draws its knowledge from life rather than from files, the more agile it will become.

3. the large-scale cartel. a) In view of the great change of form and content that the cartel will subsequently undergo, one may wonder whether the word "cartel" (from charter = contract) should not be replaced by another, such as "production community", "producers' association", "producers' group" or the like. Despite the fundamental restructuring of the cartel system, however, we consider it expedient to retain the term "cartel", since it is a very succinct word formation which is also in general use abroad, and secondly because the private aspect, i.e. entrepreneurial self-administration, is traditionally closely linked with the term cartel. b) The national producers of the individual industrialized countries must join together in national cartel groups so that, on the one hand, a uniform market order is achieved in the European sub-regions and, on the other hand, each country can occupy the position in the large-scale cartel corresponding to the natural weight of its industry. c) It follows from the foregoing that the claim to leadership in the cartel is not based on a political claim to power but on factual economic supremacy. As a result of the outstanding German industrial potential, the cartel leadership will in most cases lie with Germany. The d) German claim to leadership, however, means at the same time moral obligation. The claim to leadership of the German cartel group should not mean preferential treatment of its own members and abuse of German political power. For example, there must be no toleration of German and harsh persecution of foreign contraventions. e) The seat of the cartels as well as of the arbitration courts shall, if possible, be in the country which holds the leadership in the large-scale cartel. f) Within each national group of a large-scale cartel, a responsible managing director (head) shall be appointed who shall be accountable to the cartel office for the decisions of his cartel as well as for the proper execution of the orders of the cartel office. The head is advised by an advisory board. (Cf. the legal construction of some recent German forced cartels.) g) Each cartel must be given a clear and unambiguous designation, which is to be stated at the head of each cartel agreement. Just as it is desirable, for example, to eliminate the inconsistency in the general heading of the balance sheet (today we still read the most diverse headings, such as balance sheet, annual financial statement, statement of assets and liabilities, statement of net assets), the cartel must also have a clear "calling card". Today we find designations such as "Convention of the producers of ...", "Agreement on ...", "Agreements concerning ...", or the heading is missing altogether, and the contract begins:

"Between the companies ... the following contract was concluded today ...", whereby the contract

product is only on the second or third page of the text. Each contract must therefore henceforth contain the pregnant heading „X Cartel" or "Continental X Cartel". This must also be the name by which the cartel is designated in business life. h) The cartels must be based on a German contract text as the original text. In the German text of the agreement i) of course only German expressions have place (gentlemen-agreement = "Verabredung", "Empfehlung", "Verständigung auf Ehrenwort" -as the case may be), inside-price = inside price, pool = Ausgleich, outsider = outsider, self-contained market = self-sufficient market etc.). It is not acceptable that English terms are used in the "motherland of cartels", even more so if the subject matter has developed out of specifically German circumstances or if the cartels in question have never had English members. g) Uniform standards, measurements, quality regulations, testing regulations, etc. must be used as a basis in the greater European area. This requirement is particularly important for reasons of labor saving. For example, it is not understandable why a German supplier first converts his goods into the English weight system and the European customer converts them back into the metric system at his plant. If packaging material, e.g. drums, and also processing and packaging machines are set up for the English system, a conversion must be brought about in accordance with the raw material situation. Temporary inconveniences must be accepted by the countries concerned as "major sacrifices".1) h) Price agreements must be based on the German Reichsmark. However, this applies only to the first stage of entry, e.g. wholesale or direct consumer, in a country. Detailed prices should, of course, be calculated in the domestic currency. j) The price form should be as clear and simple as possible. As a result of the difficult competitive conditions of the pre-war years, a long chain of discounts, allowances, annual premiums, constantly increasing delivery and payment terms and the like made the price picture very confusing. In the context of an organized large-scale economy, this price confusion will have to and can make way for price clarity. k) The cartels will have to carry out a political and moral adjustment of the market, extending in particular to the organization of sales. n) Extensive cartel publicity will have to be introduced. Just as every joint-stock company is now required to submit an annual report, market organizations must also submit reports on their activities to the public from time to time. Up to now, only a few "showpieces" have ever been presented to the public. These publications then attracted the attention of the entire press and, in particular, the scientific community. Thus, conclusions were often drawn from individual areas which did not always take into account the overall problem of international cartelization. Once the darkness of secrecy has been lifted from the cartels, the often unjustified mistrust of the public and especially of customers will also disappear. o) If possible, any outsiders must be affiliated with the existing cartels, whereby the reasons that have kept the outsiders from joining up to now must be taken into account in the reorganization of the cartel, taking into account the interests of the economy as a whole. In no way will this create "monopolies" in the capitalist sense, because cartel supervision will ensure that cartel policy operates according to public economic principles. The total cartel will not be established for monopoly reasons, but to ensure planning l) success. In the future, however, the outsider will no longer be able to exist, since he will no longer find the necessary market conditions (e.g., excessive cartel prices which stimulate outsider activity). The industry represents a closed community. Therefore, the outsider principle of "profit without sacrifice" no longer applies." For cartel policy, therefore, the principle must apply that what the outsider has previously achieved in positive terms for the economy as a whole (breaking up unjustified monopolies) must be carried out from the outset in the form of a purposeful market order. However, the negative contributions (inferior quality, ruthless price undercutting) can be eliminated without hesitation. m) The term "outsider" does not, of course, include industrial enterprises which are self-sufficient in terms of market policy and do not need to be included in planning (we refer here to the introduction to this section, page 143). n) m) Cooperation with the export and import trade must be clearly delineated in order to avoid the frictions

that were so frequent in the years before the war. o) n) The cartels' liaison officers (cartel offices), who carry out statistical reporting, audits, legal advice, etc., must be sanctioned by the cartel office. p) o) The large-scale cartel as an organizational body has permanent value. Organizational forms and organizational principles must be permanent. Cartel agreements, on the other hand, are made on a case-by-case basis according to practical market organization needs. Under no circumstances may excessive agreements jeopardize the natural development of the industry concerned. The cartel office q) must decide, if necessary, whether to make use of the available market regulation possibilities or whether "hints" to the cartel members are sufficient to achieve the desired market objective. r) III. Large Area Cartel Policy. s) After the presentation of the organizational basis of the large area cartel, the production and sales organization in the European large area will now be dealt with in detail. Obviously, it is not possible in the context of this paper to give detailed proposals. Instead, we can only deal with the essentials of a sensible cartel policy for large areas. In order to round off the subject, we will also deal with areas (e.g. the use of labor) which lie outside the scope of cartel policy. t) In accordance with the cartel system we have established, large-scale cartel policy is divided into two main areas, namely the production order and the sales order. u) The production order is the basis of the entire market policy. In earlier cartel negotiations, production matters were usually "off-limits" because it was not compatible with the "master-at-home" standpoint of the entrepreneurs that they openly discussed all problems of the production sphere. If the sphere of production was indeed the subject of discussion, then at most they talked about quotas and contingents, but as a rule they anxiously avoided dealing with the problem of capacity regulation, rationalization, specialization, and so on. In the future, however, the production sphere must become the focus of all cartel negotiations. v) Large-scale cartel policy must approach the market "from the bottom up," i.e., from production, in order to arrive at a meaningful market order. Just as building a house starts with the foundations and w) not with the roof, the European market order must be constructed from the bottom up. The main reason for the failure of economic policy in the post-war period is ultimately that it only "poked around" on the outer periphery of the economy instead of getting to the core of the market economy and restoring it to health. The better the production foundation in the European area is ordered, the more freedom can be granted to the subsequent stages of the economic process! Conditions and price regulations are only of secondary importance compared to the planning of the type and extent of production capacities and their sales direction. In today's terms, it seems incomprehensible that a cumbersome approval procedure is used for price commitments, while the determination of production capacity is left to the free discretion of the entrepreneurs. How often, until recent years, it was not economic considerations but capital interests or even entrepreneurial whims that were decisive for the establishment and conversion of production facilities! It is therefore untenable in the future to put the cart before the horse of state antitrust policy by dealing essentially only with the market sphere instead of primarily with the production sphere. 1. the production order. x) For the establishment and expansion of production sites in the metropolitan area, the order of priority we established for the planning of raw materials applies analogously (vital, defense, dispensable and luxury needs). The allocation of capital goods and manpower for new construction and expansion projects must correspond to this scale of urgency. y) The principle of intergovernmental division of labor must apply to the large-scale production order. Only if this principle is followed consistently can the best possible productivity be achieved in the large-scale area. However, there is a limit to the inter-regional division of labor. We recall the remarks on the relationship between autarky and the international division of labor, which led to the statement that the maximum international division of labor would lead to "monocultures", which are undesirable from a national point of view. But even in a large-scale economy it would not be at all justifiable, in view of a harmonious organization of the individual economies and thus of the conditions of existence of the peoples, if exaggerated monocultures were bred, for example

in the sense that one country confines itself exclusively to the cultivation of wheat, while another country, which has, for example, extensive forests, exclusively pursues the industry of wood processing.²⁾ But even if this limit is always kept in mind, there are still infinite possibilities for an appropriate division of tasks between the individual European economies. Therefore, one must by no means make the mistake of disregarding the demand for international division of labor altogether out of the recognition of a "national economic harmony". This danger exists all too easily. Unfortunately, it is often the case in the European metropolitan area that the problem of "autarky" is approached too much from a national rather than a large-scale point of view, due to national self-indulgence, a lack of thinking in terms of the metropolitan area, or even a lack of trust in the metropolitan area. All too easily, then, "core autarchies" of the individual sub-areas arise, which virtually run counter to the goal of the metropolitan economy. aa) a) Location and capacity order. bb) Three basic requirements are to be placed on the location of the production plants in the sub-areas of the European metropolitan area:

1. sufficient domestic raw material base, 2. qualified labor base, 3. sufficient sales market. cc) This fundamental principle of reasonable economic organization was violated too much in the Europe of Versailles. Out of the spirit of European disunity and a desire for autarky that ignored any economic calculation, the so-called industrial "hothouse plants" or "patriotic plants" came into being, those industrial foundations of the post-World War II years that were only able to produce inadequate products with difficulty and hardship, protected only by inordinately high tariffs, state surcharges, subsidies, overpricing, etc.. In addition, the burdens of these industries were often placed on agriculture, which was already in a difficult situation. Such production facilities had a particularly unfavorable effect, however, when the protective tariffs became "aggressive tariffs" and the markets were thus disrupted by "political" prices against all economic reason. Likewise, those productions have to be mentioned which were only able to produce at a reasonable price value as a result of destructive competition among upstream suppliers and thus through unjustifiably low prices. dd) Of course, there must be no intention to develop Germany as an industrial country and to more or less reactarize the other countries, because even if the three conditions mentioned above do not always apply, many industries are so closely linked to the economic structure of the countries concerned that shutdowns would cause severe shocks in the economic and social structure of the country concerned. Although cost considerations are of great importance, it must not be overlooked that the location problem in the future Europe is no less a question of national regional planning. In addition, it must be emphasized that location planning according to the cost optimum is often correct in theory, but can turn out to be a miscalculation in practice, since on the one hand the parameters of the location calculation can change (e.g. sales shifts, changes in the raw material base), and on the other hand possible shutdown costs can bring disadvantages which cannot be compensated for in the long run by ideal cost location planning. Only in particularly blatant cases will shutdowns be justifiable, but otherwise an appropriate rebuild will also meet the requirements of sensible production planning. In any case, a positive program must be drawn up prior to shutdowns in order to avoid unfavorable repercussions on labor input and supply. ff) Unused capacities should be eliminated as far as possible in the future, since they represent dead capital and dead labor. Therefore, indiscriminate (from an economic point of view) production shutdowns under cartel agreements, as they have often been done in the past for private-sector reasons, must no longer be tolerated. Such shutdowns are completely unjustifiable if they are associated with high compensation sums that do not burden anyone other than the consumer. gg) Since we will have a largely demand-supply economy in Europe, generation capacity will be adjusted to demand. Since the latter is almost unlimited, the main emphasis of large-scale economic policy will be on the sensible matching of industrial structure. The difficulty of this task must by no means be underestimated. The former guide

of investment activity, the "market" with its exceedingly fine-nerved components, cannot simply be replaced by "plans". Activation of entrepreneurial initiative on the supply side and in-depth consumption research on the demand side will be the indispensable pillars of the guided investment policy. hh) In the manufacture of war-essential products, Germany will in principle have to be accorded leadership in production, in accordance with its political leadership in the continental area. When reasoned with, the small states will come to the conclusion ii) that for them to maintain their own armaments production would mean a misdirection of labor and capital. "The present war has proved sufficiently that a few artificially set up armaments plants without a broad heavy industrial basis are meaningless for military power. Today, war-economic independence is only possible for economic areas of continental dimensions. This experience, too, shows that progress can be sought only in cooperation and that short-sighted armament ambition is of no use but does a great deal of harm. "1) jj) Since Germany's armaments capacity could not be fully utilized in peacetime, but decommissioning is not desirable, it is possible and necessary for Germany to give priority to exports of industrial goods during peacetime. This export will have to be directed primarily overseas, since the vital needs of the European area in peacetime and in wartime should, as far as possible, be satisfied equally in the civilian sector as well, i.e., the conversion of German capacities to full wartime production should not in the future interfere too much with the supply of the rest of the metropolitan area, as will unfortunately have to be accepted in this war2). kk) If it has been said above that it is by no means in the interests of the metropolitan area to break up the non-German capacities to a large extent, it must be pointed out that it is often in the German interest to have a healthy industrial base in the other sub-areas. The industrialization of other countries prevents German exports of consumer goods, but on the other hand creates much higher needs as a result of increased purchasing power and technological necessities. Thus, for example, the European southeast will be a much larger market for German industrial goods if the surplus population, whose purchasing power is extremely low, is integrated into the economic process through appropriate (labor-intensive!) industrialization. On the other hand, as the experience of the last decades has shown, industrialization will always bring with it new needs of a somewhat higher order. For example, the textile industry has a constant need for expensive machinery. Furthermore, textile production requires valuable auxiliary products, such as tar dyes, finishing agents, etc., which can essentially only be obtained from Germany. It should be noted, for example, that the quantity of chemicals used in the production of rayon is three to four times the quantity of pulp. In principle, Germany is not opposed to the industrialization of the other parts of Europe, but merely has an interest in influencing the degree of industrialization and directing it according to overall needs in order to bring about a reasonable intracontinental division of labor. The slogan is not "destruction of industries, but expedient reconstruction". It is interesting to note that a similar policy has been adopted in the East Asian metropolitan economy, after the original intention was to concentrate industry on the Japanese island region, while Manchukuo, for example, was to remain exclusively a supplier of raw materials. In the course of the practical work on the large-scale economy, it was realized that a reasonable mixture of industry and raw material economy - with the respective predominance of one or the other area - is expedient and therefore industrialization was also pushed forward in Manchukuo. mm) We remember the three basic requirements for the determination of the location: raw material, work, sales. Now, in practice, it will never be the case that each sub-area is self-sufficient in the interaction of these three factors. It is precisely the goal of the large-scale economy to overcome the lack of one or the other factor by complementary exchange with other sub-areas. Thus, a country will not be able to fully process its natural products because it lacks qualitative labor (labor in the broadest sense of the word, i.e., including intellectual labor, as well as the state of scientific research, etc.). It will then be the right and the duty for this country to hand over the raw materials to more suitable spatial elements

for processing under appropriate conditions, before they are made available, for example, to non-spatial areas. Analogous to the principle that large-scale needs must be met first in the large-scale area itself, is the requirement that large-scale raw materials must be processed first in the large-scale area itself. oo) It will also often be the case that the sales basis for processing industries, which are based on particularly rich domestic raw material deposits and for which the factor labor is available in sufficient quantities, is not given in their own area. In the large-scale economy based on the division of labor, this circumstance will not be serious if the labor order of the entire area has recognized the production of the sub-area in question as expedient in itself. By largely eliminating the "sales barriers" in the large-scale economy, the absence of these location conditions will be trivial (see section "Sales order", page 176). pp) The factor "labor" must be discussed in more detail in connection with location policy. The factor "labor" differs fundamentally from the other two factors of location determination in that it is determined not only by rational but also by ideational aspects. The following three principles apply to the use of the "labor" factor: a) There must be no unemployment in the metropolitan area. Insufficient or no employment of labor endangers the national, social and political goals of the members of the Greater Region. In order to achieve full employment or to avoid unemployment, however, labor should not be given to foreign metropolitan areas, if possible. The European metropolitan area must create the conditions that in the future its best forces will not be given away to foreign continents and thus lost to the European community of nations. b) Every manpower must be employed in one's own country, if possible. "Only the soil belongs in the long run to a people which it plows itself, and the rr) - coal belongs to it, which it mines itself. No nation can leave such basic work - even if it costs a lot of sweat and involves dust and dirt - to laborers from other countries. Foreign labor can help here in addition or at peak performance, but the vital production itself must be secured by forces of one's own people. "1) c) The use of labor must be as rational as possible in the European production order. ss) In the practical organization of large areas, considerable tensions will arise in the attempt to meet all three requirements^ If, for example, one were to adhere to the view that the labor force must be employed only in its own country, unemployment would be the inevitable consequence in the overpopulated countries. On the other hand, the employment of all workers in their home country would often contradict the principle of the most rational use of labor. The inevitable consequence of eliminating such tensions will have to be the exchange of labor. Countries with a surplus of labor will transfer workers to countries with a shortage of labor. In a large-scale community of nations, there is nothing to be said against such a migratory movement insofar as it not only avoids the uprooting of the workers, but also serves to promote the individual and general interests of the large area. tt) "The worker can maintain himself and his family in the homeland through his earnings, he learns new ways of working in new surroundings and can later use his experience beneficially in the homeland, because every country and every profession with an unmet need for strength is advanced in the rationalization of work, in the use of working machines and technology ... The country which surrenders surplus labor is thus relieved of the material care for it;

Nor does it run the risk that these workers, through no or insufficient employment, will be weaned from work and become an antisocial element of the population; the savings flowing into the home country increase its power of consumption and production; the economy of the country, on the return of the workers, has the benefit of having forces accustomed to work whose advanced knowledge and experience are not to be underestimated. And the host country, through the increased input, is in a position to advance its tasks and thus to serve its part of the total metropolitan economy. "1) uu) The European labor input policy must, however, set itself the goal of not encouraging an unhealthy mixing of European peoples and races. For ecological and political reasons, it would not be appropriate for a country to rely constantly on foreign labor. In the long run, therefore, the intensification of a country's domestic economic forces must take population development into account. However, seasonal workers

(e.g. agriculture, construction), whose stay in a foreign country is only for a few months of the year and who in the meantime return home to their families, are an exception. vv) b) Technical production order. ww) As early as 1930, the International Chamber of Commerce had decided to combine the study of rationalization with that xx) of cartelization. However, in essence, one did not get beyond the usual committees, conferences, enquêtes and resolutions. The reasons are of the same kind as those we gave for the failure of the European cartel idea. Only the European cartel will be able to vigorously promote rationalization in the European area. The unimagined possibilities and prospects of a reasonable economic rationalization in the European area can be seen from a comparison between the development of the North American and the European automobile industry. yy) The problem of standardization, typification and norms boils down to the economic goal of creating a higher and more valuable production at cheaper prices with less labor.1) On the one hand, due to Germany's obligation to export, and on the other hand, due to international competition on the European markets, Germany has had to adapt to the demands of foreign customers for the most varied types. While rationalization in the German domestic economy made good progress, the industries involved in exports still had to adhere to a sometimes incalculable number of export products, which made production more expensive but also made raw material planning more difficult. On the one hand, through agreements in large-scale cartels, and on the other hand, through changes in consumption, consumers must learn to do without the multitude of types. In many areas of the economy, this need not involve any loss of taste or quality. As an example, consider the iron material requirements of a southwestern European country. This was met from Germany, England or America, which led to the use of a myriad of types. As a result of the closer economic ties between this country and Germany, it will be possible in future to use only German grades, which will reduce costs and make work easier for the customer.

zz) is also advantageous for the customer country. There is no need to go into the advantages which typification has for warehousing, especially in large areas. aaa) However, the national character of the individual European sub-areas will have to be preserved also in the field of rationalization, namely when the products of industry are at the same time carriers of culture. All special designs, which originate from a healthy national custom, must under no circumstances be subject to schematization. In this case, all cost considerations must take a back seat to the requirements of culture. bbb) In the future, it will no longer be necessary for the entrepreneur to produce a large number of articles, often from different branches of industry, in order to achieve a total turnover that is as crisis-proof as possible. Since sales are largely assured in the European metropolitan area, companies can specialize in a specific, narrowly defined production program and thereby bring about a reduction in the cost of production and a greater intensification of technical research. However, specialization must not lead to "calcification". Care must be taken to ensure that specialization and economic stabilization do not breed "industrial pensioners. Price competition, formerly the most important incentive for progress, will exist only to a limited extent in the future.1) The task of price policy in the future will be to set prices in such a way that competition is transferred to the sphere of operations from the outset. "The watchword must no longer be price competition but production competition. With the introduction of an appropriate production specialization, there will also be a meaningful coordination between large, medium and small enterprises, and the latter two forms of operation will have a larger field of activity. This line of thought is of decisive importance for the development of a sensible European economy, i.e. one that takes into account the ethnic dispositions of the individual subdivisions. Some countries – especially France, for example – have had to endure industrial giants in the course of capitalist leveling, which are difficult to reconcile with their folk character and work style. ddd) In the future, the international division of labor will have to take place in such a way that the industries of not very advanced countries will limit

themselves to the production of simple types, while Germany will be left to produce more complicated types. Good preparatory work in this area has been done by transferring orders to the occupied territories. eee) Germany will provide technical assistance to the other countries of Europe to a large extent, as far as the establishment and expansion of industries is concerned, which are in the sense of large-scale planning. This is an expression of the European community spirit that the other nations should not pay the price Germany had to pay for its technical progress. On the other hand, Germany must have access to all the experience gained abroad, so that it can evaluate it in the common interest. The often jealously guarded secrets of the entrepreneurs must be used unselfishly for the benefit of the overall European production. ggg) In this context, a standardization of patent law is also necessary. In this area, the situation in Europe is particularly confused; each state has its own system of industrial property protection with its own patent laws, so that there are about 30 different patent systems in force in Europe, which cause a lot of unnecessary work and many inconveniences. Von Knieriem makes the interesting proposal¹⁾ to set up the German Imperial Patent Office as a "patent clearing center" for the entire European area. The German authority would have to carry out the central preliminary examination of all patents, whereas the individual states would have to grant the patent for their respective territories as before. Knieriem said, among other things: "It would probably be right to take the German patent law and the Reichspatentamt as a basis; this is proposed not so much because we expect an increase in power and influence after a German victory, but because of the goodness of the German patent law and the work of the German Reichspatentamt, which is recognized throughout the world, and because of the reputation of the German patent based on this." ¹⁾ hhh) In many cases it will cause great difficulties to convince the individual members of the large-scale cartels of the expediency of a certain European production plan. Political pressure should be avoided at all costs in such cases. If there are obviously egoistic self-goals, the economy itself will find ways to bring about the desired production order. Within the framework of a large-scale economy based on the division of labor, the interdependence between the individual economic areas has developed to such an extent that any "troublemaker" can certainly be made compliant by any economic measures. iii) '-') "Europäische Vereinheitlichung des gewerblichen Rechtsschutzes und Urheberrechts" by Knieriem in the journal "Gewerblicher Rechtsschutz und Urheberrecht" of May/June 1941. jjj) measures. In many cases, for example, the blocking of preliminary products will make it possible to achieve the objectives that are in the overall economic interest. For consumers, a similar means of education can be applied if they do not want to depart from unjustified special wishes with regard to production types. A price surcharge of 10 or 20% for special types will soon make the consumer comfortable in using standard types. kkk) c) Economic production order. ll) The economic production order aims at a precise cost analysis of the production processes of the members of the large-scale cartel. However, a uniform terminology is the basic requirement for successful business cooperation. There is probably no other field of economics where terminology is as confused as in business administration. In practice, it has to be stated again and again that the lack of uniformity in the most primitive formal prerequisites makes factual cooperation immensely difficult. However, this would have an even more unfavorable effect in the cooperation between the enterprises of different economies. Prof. Dr. E. Schneider, Aarhus, described the terminological difficulties particularly vividly in a lecture given in Berlin. In his presentation on the possibilities of business cooperation between Denmark, Sweden and Norway, he said: "Each of the three countries has primarily sought to create a national terminology, with the result that today there is unparalleled linguistic confusion in our field; it is impossible to call from one country to the other. mmm) The two essential prerequisites for fruitful intergovernmental research and cooperation in the field of business administration are therefore not even present in that part of Europe which, from a cultural point of view, tends to be referred to as a unified area. In view of such a situation, can we hope

at all for a fruitful cooperation in business administration between the peoples of the European continent? We must be clear about one thing: If we do not succeed in creating a terminology that is accepted and understood by all members of the European economic area, then there will be serious difficulties in solving the major tasks of the near future – I am thinking, for example, of international business comparisons. If, therefore, intergovernmental business research is not to remain just an empty word and not to be reduced to mere courtesy events, but is to aim at jointly contributing to the solution of questions of vital importance for the European continent, then the first prerequisite is that the partners involved speak the same business language. And it must be possible, at least in the field of accounting, to arrive at a standard terminology which is as binding between countries as is the case today in the field of science and technology. "1) ooo) However, one must not be deceived as to the usefulness of business management findings for an effective market organization. Business economics may well be an essential aid, e.g. in price determination, but it will never be able to replace pricing policy itself. Therefore, the so-called "calculation cartel" is not considered

to have any possibility of development in the European metropolitan economy. Again, we must point out the diversity of national temperaments in the European area. With the still missing awareness of order in many European regions, calculation guidelines will never be able to replace price fixing. The determination of fixed prices therefore offers a more reliable means of determining sub- bids than the adjustment of prices according to any calculation ppp) factors, ".... For let us be clear about this: the calculation of real and appropriate earnings has become such an easily fogged matter in the age of multiple bookkeeping, of strapped economists and business lawyers, and of the obscure science of calculation, that it cannot be dealt with by the tortuous ways of instances and the deceptive sarnmettoes of an endless palavers of experts ...') This sentence is based on German conditions. How much greater, however, will be the difficulties in determining costs correctly in Europe. qqg) 2. The sales order. rrr) The sales order results organically from the production order. Without a sensible production order, a healthy market order is not possible. If, in foreign trade, the manifold "sales restrictions" (tariffs, quotas, import bans, etc.) have hitherto been regarded as the cause of the impediments to interstate economic trade, it must be emphasized, on the other hand, that the deeper reasons lie in the defective order of production. The intracontinental production order will bring the prerequisite for the elimination of foreign trade barriers and thus already carry the sales order in itself. This applies not only to the sales direction, but also to the sales volume and the sales price. If a sensible production order is established between the individual sub-areas of the metropolitan area, numerous other difficulties in international trade, such as discrimination in the right of establishment, in taxation, in the treatment of the obligation to certify and declare origin, etc., can be avoided. sss) In our antitrust system, we divided the sales order into spatial (area) order, quantity order, technical order and price order. According to this system we will treat the sales order in the metropolitan area. a) Area and quantity order. ttt) The production capacities in the metropolitan area are to be adapted as far as possible in location and extent to the natural sales area as well as to the expected demand. A constant discrepancy between the optimum utilization of production capacity and the market's capacity to absorb it must no longer exist. It is the very purpose of large-scale planning that production is not "haphazard" for a "market" in the liberalistic sense, but that each production is given a precise predetermination. In the future large-scale cartels, quota fights will therefore be largely unopposed, because the sales quotas will coincide with the capacities recognized as economically necessary. In an orderly large-scale economy it is no longer justifiable that a wild fight for sales breaks out without consideration of natural operational and spatial conditions, just to secure the highest possible quota. In some sectors of the economy, the division of territories is anything but in line with sound economic sense. The "quotomania" which has arisen either from the desire to secure sales at any price or from a purely capitalistic hunger for power must be

consigned to the past.1) uuu) For reasons of cost and general economy, the respective domestic market will in future be reserved for domestic production. However, this is in no way intended to advocate rigid territorial isolation. The principle of supplying the domestic market will, of course, only apply if the production of this domestic market has been recognized as justified according to the principles of the intracontinental division of labor. A healthy sales mix on the "home markets" is quite desirable;

It is in the interest of a lively cooperation between the metropolitan partners and an interconnection of the markets. The earlier tendency of international cartels to focus primarily on securing the home market was due, in addition to reasons which are still justified today (e.g. freight savings), in particular to the instability of international price relationships and the uncertainty of the legal basis of the international cartel. On the other hand, the company's own market, which was protected by a protective tariff in addition to the territorial agreement, was often burdened with excessive price burdens. In the large-scale economy, neither uncertain price nor legal relationships are to be expected. On the other hand, however, an overpricing of the domestic market – possibly in favor of the foreign market – cannot be considered fair in an economic community based on the division of labor. Thus, in many cases, the rigid territorial demarcations may be relaxed in the future. In addition to domestic reserves and divided markets, so-called "disputed territories" will no longer exist in the future, unless healthy sales conditions exist even without market regulation. www) Trade policy import quotas will become superfluous to the extent that cartel quotas take their place. The more the system of territorial and quota cartels is expanded, the more trade policy quotas will become superfluous. In many European countries, contingents have already been largely abolished. Even if the external cause was the great shortage of goods, which made the maintenance of import restrictions seem inappropriate, the new methods of sales policy, i.e. industrial agreements, have in the meantime proved so successful that in future the quota economy will only be of subordinate importance in intracontinental trade. xxx) As far as possible, precautions should be taken to ensure that overseas exports or, more generally, business outside the metropolitan area is conducted primarily from Germany. The metropolitan area has an interest in presenting as uniform a trade weight as possible. This yyy) tendency would be impaired, however, if the export supply of the European bloc were fragmented. Since foreign trade with overseas is necessarily conducted on a two-way basis, consideration could also be given to routing imports from overseas centrally via Germany. The remaining European sub-regions would be allocated their share of overseas imports, determined by negotiation, via the European central clearing system. The guarantee of sufficient supplies to the European sub-regions will be based on the fact that, in view of its high purchases of agricultural products and raw materials from the small European countries, Germany will have to channel overseas products to these countries in addition to its deliveries of industrial goods in order to avoid payment passivity. Such an arrangement is all too natural and has nothing to do with the exploitation of a political advantage. In the course of this war, the overseas countries have pushed their self-sufficient efforts to such an extent that, as a rule, only the top products of European industry will have any lasting sales success. Germany, as the leading industrialized country, will be the given export factor of the region. Germany will thus help the other regions of the European metropolitan area to secure an appropriate share of the natural resources of the rest of the world, which they would not be able to supply to the same extent from their own resources. The point of view of German leadership in overseas business is, of course, not to be applied schematically. Cases are quite conceivable in which, for political or economic reasons, another European sub-region is entrusted with overseas business. However, precautions must be taken to ensure that anti-spatial forces do not exert a detrimental influence on the Greater Community via the detour of the overseas business. zzz) The overseas business of the Greater Community cartels cannot be regulated in the same way as the continental market. While in Europe both the supply and the demand side are largely subject to the continental principles of

order, overseas the principle of free competition will still prevail. It will mainly come down to a trial of strength with the U.S., while agreements would have to be reached with Japan in the spirit of the three-power pact. The official report on the meeting between Reich Minister Funk and the Japanese Foreign Minister in March 1941 states: "The purpose of the discussion was an exchange of ideas on the organization and deepening of German-Japanese economic relations and on the basis for the organization of trade and payments between the European and East Asian areas after the victorious conclusion of the war."1) It is to be expected that these friendly arrangements will be made not only for the two metropolitan areas but also for third markets, especially South America. bbbb) In contrast to European business, which will have a more planned economic character, the foreign trade merchant will basically be left to his own devices in overseas business. However, the large-scale economic policy will have to provide the merchant, especially the export merchant, with extensive support. This is especially true with regard to prices. While in Europe, as we will see later, export subsidies can be reduced more and more, they will be more necessary than ever in overseas business. A characteristic feature of overseas business will be the increased re-engagement of trade. In European business, import and export trade will not be superfluous (reference is made, for example, to the assortment business)2) ; however, it will take a back seat to direct sales. cccc) However, in order to make overseas business as successful as possible in the future, various regulatory measures by the state are also necessary, despite its fundamentally free-ddddd) speedy character. Unreliable, inexperienced and incompetent export traders would have to be denied a license to engage in overseas business. Furthermore, the market would have to be regulated in such a way that German firms would not under any circumstances be allowed to underbid each other. Twenty or thirty German firms could no longer be allowed to participate in a single tender in South America. However, selection among overseas traders must not result in a monopoly for a few firms. Healthy competition must be maintained through the constant addition of fresh blood. In order for the export and import trade to meet the demands placed on it in the future, it must also be placed on a sound financial platform. The export trade, for example, cannot be expected to continue to work with the overhead margins of the pre-war years, while its "colleagues from the large-scale economy" have a less risky and far more lucrative business. In order to be able to carry out a space-own market organization, the large-scale economy must carry out a certain strangulation against the outside world, be it through tariffs ("external tariffs")1), quotas or import bans. In many cases, exclusive contracts between the economic levels of the large-scale economy will suffice, all the more so since the economic discipline developing in the entire region and the interdependence of the economic entities of the large-scale economy make the "spatial interest" predominant. eeee) b) Technical sales order. ffff) Even the most expedient production order would fail to achieve its goal if it were not accompanied by radical rationalization of sales activities. In terms of labor input and costs, a great deal of sin has been committed in the area of marketing. What was the use of German export companies reporting gratifying export successes, while 20, 30, 40 or even more percent of the foreign exchange earnings flowed back to the foreign country via the detour of ancillary costs for irrational sales appraisals, high agent commissions, travel expenses, advertising costs, etc.? Thus, high export figures often gave only a deceptive picture of the true "foreign exchange effect". Even if the "foreign exchange" problem in the European area will recede into the background in the future, special attention must be paid to the distribution problem in Europe for reasons of the most favorably priced supply of consumers. It is also a matter of decency for the people involved in production, who are responsible for the higher-quality economic performance, that the distribution organization should claim only that part of the national product which is justified on the basis of actual and most rational distribution performance. Distribution has to retrain in terms of costs and earnings. In the era when the world was under "sales pressure", it was the sales department (whether direct sales or

trade) on whose performance the weal and woe of the production company depended to a considerable extent. In a demand-covering economy, however, distribution is again what it can only be in a healthy market order: a function of distribution. Therefore, distribution can only claim that part of the national product which corresponds to its effort. hhhh) It has already been pointed out that in the European area distribution would largely be done by industry itself. This is in fact an inevitable consequence of the large-scale market organization. In principle, trade will be completely eliminated in the case of large production volumes, while it will have a certain field of activity in the case of small and, in particular, mixed volumes. However, even in the case of direct sales, concentration and rationalization can save people and costs. Some key words are:

joint sales offices, agent pools, stock pools, shared iii) market research, market observation and advertising. Advertising, in particular, will be more rationalized because it will no longer be necessary to chase customers away from each other, but instead to work together in an advisory capacity to customers.) In the technical organization of sales, the large-scale cartel will again be able to provide valuable services. The short-term nature of most cartel agreements, which can be explained by their combative character, or the uncertainty of sales developments have so far made it understandable that companies have been reluctant to dispense with their own sales apparatus and methods. The crisis-proof and orderly large-scale economy, on the other hand, will create the conditions for the consolidation and unification of the sales apparatus. kkkk) However, any exaggeration and schematization is also inappropriate in the field of distribution. Under no circumstances do we see the creation of tight "European syndicates" with their headquarters in Berlin as generally desirable. These would soon grow into colossi like foreign trade monopolies, which would all too easily slip back into the waters of an unhealthy distribution-oriented self-politics. Depending on the type of products, the volume of sales and the geographical distribution of sales, full syndicates (for the entire region) or broken syndicates (for organically related regions, e.g. for the southeast, north and west of Europe) will be formed, or self-distribution by all or individual cartel members will be maintained. c) Price order. llll) a) The way to the large-scale price. mmmm) If it has been emphasized that the production order carries in itself the basis of the market order, there is no doubt that the price order is an indispensable correlate of the production order. While the production order represents the totality of the links of the economic body which are coordinated for optimal efficiency, the price order is the nervous system which triggers the interaction of the links. If the nervous system is not in tact, the best-constructed links cannot fulfill their functions. oooo) The price system - or rather the price disorder - in Europe needs a fundamental reorganization if it is to contribute to the best possible promotion of the productive forces of the metropolitan area on the one hand, and if it is to guarantee a proper performance evaluation between the sub-areas on the other. Even if the so-called "cost price" is by no means to be elevated to the price ideal in the metropolitan area economy, a reasonably healthy relationship between costs and prices must be regarded as a basic requirement of metropolitan area price policy. Unfortunately, in many areas of international trade before the war, price relationships were found to be grossly disproportionate to service relationships. After "sales pressure" had largely disorganized the level of foreign trade prices until the world economic crisis, further shifts in the structure of foreign trade prices occurred with increasing "export pressure" from the beginning of the 1930s. However, it was not until the various currency devaluations and the fundamental cuts in foreign trade relations associated with exchange control that the price relations between countries became completely disordered. Price relations became particularly confusing, however, when internal or external export promotion measures were used in a way that was not in line with market conditions. Consider the various European currency devaluations from 1931 until the outbreak of war. They resulted in exchange rate devaluations of between 22% and 60%.1) If we take into account the fact that the price level in the devalued countries rose only hesitantly in many cases

following the currency devaluations, and if we also consider that German export prices were to a large extent already very depressed before the currency devaluations, we can appreciate the sacrifices made by the German export industry in order to supply the German economy with urgent imported goods. There is no need to give practical examples of the sometimes appalling undervaluation of the highest achievements of German industry in exports. qqqq) It is self-evident that the interstate price structure of the prewar years cannot be carried over into the greater economy. The epoch, which was under the motto "Export or die!", has come to an end. It expressed the will of the German national economy to assert and develop its life in a time of world economic unreasonableness, no matter what the cost. However, Germany's future position is no longer compatible with the previous practices of international performance evaluation. rrrr) The German economy has repeatedly been accused of the fact that it was not the "foreign trade barriers" that forced Germany to adopt its new methods of foreign trade policy, but that, conversely, it was Germany's trade policy methods that caused the foreign trade barriers in the first place. We will briefly address this accusation from the price side. It cannot be denied that in the first years after the introduction of exchange control, German exporters often consciously or unconsciously pursued an undisciplined pricing policy with the help of bond, scrip and block mark transactions. With the increasing development of the state's foreign trade organs, however, this deficiency has been largely eliminated. Germany even has to take credit for having consciously worked towards a fair wholesale price formation since the mid-1930s. Germany realized that it was pointless in the long run to wage a ruthless competitive war against foreign industry. Experience up to 1935 had shown that in the event of inorganic expansion of export business, countermeasures by foreign countries in the form of tariff increases or even direct import restrictions were almost always to be expected. German export prices were therefore largely adjusted to the prevailing market conditions, even if the export volume was not expanded or even maintained. In the process, Germany consciously accepted price disadvantages not only in exports but

also - in the form of price increases - in imports within the framework of reciprocal trade. If Germany exported below cost, it is unjustified to speak of dumping. Dumping according to the classical definition occurs when the export price is lower than the home price of the exporting country or lower than the exporter's cost price. This concept of dumping could have been justified in the age of unrestricted world trade and the consistent international division of labor. However, after the individual economies largely "decoupled" from free trade through trade policy measures and especially after the currency devaluations, the concept of dumping lost its justification. Currency devaluation, as exemplified by the very accusers of German conditions, put all exporters - provided the domestic price level did not increase or did not increase significantly, which was true for a period of several years in the relevant devaluation countries - in a position to undercut to the extent of the currency devaluation without selling "below cost". The result was an indiscriminate tearing down of export prices, which in turn forced competitors with non-devalued currencies to follow suit. It can be seen that the concept of "selling below cost" has thus lost its meaning. Therefore, one should refrain from using the term "dumping" in connection with the exporter's costs or cost recovery. Instead, one should focus exclusively on prices and sales, for example, by accusing the exporter or the exporting country of dumping if it indiscriminately derouted prices in one country and tried to expand its sales without taking into account the production and market order in that country. In this sense, however, Germany has been constantly working for many years before the war to adapt its sales and price policy to the prevailing market conditions.) While Germany's export price policy before the war was aimed at halting the steady decline in export prices, it refrained from exploiting the shortages in Europe that set in after the war by indiscriminating price increases. German export prices were raised only when it would have been irresponsible to stick to the previous basis in view of the rampant import price increases. The extent

of German export price increases since the beginning of the war, however, is nowhere near that of import price increases. It has been an expression of the responsibility of German economic management for European economic life not to retaliate for earlier price sacrifices but to put a price brake on German exports. Given the importance of German exports for the individual European countries, especially during the war, the German export price policy contributed substantially to preventing serious economic damage in these economies. vvvv) β) The large-area price. wwww) The "large-area justified price" is an extremely complicated entity, firstly in that it cannot shed the dress of the previous "foreign trade price" from one day to the next, since the latter is usually firmly rooted in the economic structure of each economy. On the other hand, the newly formed wholesale price without historical precedence is also complicated in that it must show a far-reaching differentiation according to the most diverse points of view. The price formation in the future large-scale economy can by no means proceed according to the very simple principle "average European cost price + reasonable profit \sim price in Europe".

xxxx) The grossest deficiencies in the foreign trade price structure - i.e. the "historical bias" - have already been remedied by the war itself, namely by the extensive equalization of the European price differential. From August 1939 to March/April 1941, the wholesale price index rose by 55% in Sweden, 61% in Norway, 80% in Denmark, 63% in Switzerland, 35% in Bulgaria, 103% in the former Yugoslavia, etc. In Germany, on the other hand, wholesale prices increased by only 5% during the same period as a result of the general price freeze. As a result of this development, German export subsidies were largely eliminated. The war thus contributed substantially to the transition of the foreign trade price structure to the zone of fair output valuation.²⁾ In peacetime and in a free area agreement these corrections would probably never have been possible. yyyy) Within the "zone of justice" the area price will have to show a meaningful differentiation because in the European area economy not only the cost price and the purchasing power show strong differences by nature, but also the cost shifts caused by the autarchic tendency of the area have to be taken into account in the price system in a meaningful way. In European price differentiation, however, the metropolitan area cartel will again be an extremely suitable instrument. There are no price-policy or price-technical problems that have not been solved by the cartel - especially the international cartel. When we discuss below the principles of price policy in the European metropolitan area, we assume that they are most expediently realized within the framework of a metropolitan area cartel. If for the national economy the objective principle of organization zzzz) is disadvantageous with respect to price control, it is even more so in the large-scale economy. Price policy can fulfill its task in the far more difficult conditions of inter-area price determination only if it forms an organic part of a central market regulation policy, of which the cartel is an instrument. We will return to this line of thought below. aaaaa) We now have to account for the characteristics of the controlled price. It is a mistake to believe that price policy in the total market order is a simple matter. One could, however, make it easy for oneself by applying schematic methods, such as those represented by stop prices¹⁾, generally binding trade and profit margins, etc.. In the long run, however, the demands of a finely tuned economy cannot be met in this way. A price regulator must completely master the laws of liberal price formation, because they are valid as long as an economic order recognizes the economic individual's own interests and desires. In addition, the price regulator must be very familiar with the methods of price control when it is necessary to intervene in the "free play of price-forming forces" in the overall interest. Indeed, the greatest difficulties often arise when the price manager has to set new prices constructively and thus has to anticipate the reactions of the economy that will result from his price fixing. A useful theory of the controlled price, which must always be a "just" price, i.e. a price determined by the overall interest, is not yet available. When we show some basic features of large-scale price formation in the following, we do not intend to attempt a theory of the controlled price, but only to round off our view of market organization in the large-scale economy. bbbbb) The controlled prices

can be divided into two large groups according to their objectives: 1. the production-oriented price, 2. the consumption-oriented price. ccccc) The former aims at maintaining and promoting or inhibiting production, the latter at promoting or inhibiting consumption. In a National Socialist economic system, the former must always be a performance price (i.e., it must remunerate only the actual and best possible performance of the entrepreneurs or suppliers and not contain monopolistic or "profit" elements); the latter is usually a social price, because it will always take into account the needs of the broad strata of the population. It is obvious that there are inseparable organic interrelations between these two price policy directions. It should only be pointed out that consumers are at the same time cost factors in the production sphere. However, in order to obtain as clear a picture as possible of the essential features of the controlled price, this systematization is expedient. dddddd) 1. The production-oriented price. eeeee) a) The firm-specific output price. fffff) The output price is composed of the cost price and the entrepreneurial profit. Now, the specificity of the performance price is not to recognize these two elements unconditionally. Price policy in the total market system is rather interested in the composition of these items and tries to influence them either for production policy¹⁾ or for sales policy¹⁾ reasons. Price policy is able to trigger the following production policy effects: hhhh) aa) quantitative production promotion, iiiii) bb) quantitative production inhibition, jiiiii) cc) managerial production promotion, dd) technical production promotion. kkkkk) This provides the price policy correlate to large-scale production planning. Autarky measures and other production planning measures can only be carried out successfully if they are accompanied by a supportive price policy in the sense that the price provides a sufficient incentive to support these measures. Inhibiting prices are intended to curb production that is undesirable for the economy as a whole, e.g. by making it more difficult to obtain overseas raw materials or by providing price support for the use of raw materials, labor and capacities in other production areas. Far more difficult than the area of quantity-based production control is that of promoting rationalization and progress by means of controlled prices. Whereas the price has only a more or less supporting function for central market regulation in the area of quantity, it has a largely initiating effect in the area of promoting economic efficiency and progress. Here, the market regulation authority cannot only draw up "plans", but must try to sense the intensity and direction of entrepreneurial initiative in order to bring it into line with public service objectives by means of clever price policy measures. It is necessary to discuss

this difficult complex of questions in more detail. lllll) Since the regulative of price competition in the metropolitan area mmmmm) is substantially limited¹⁾, the controlled price must assume the function of increasing economic efficiency and promoting development in the sphere of production. The determination of the "price justified by the economy of large areas", i.e. the price which on the one hand triggers the healthy functions of free competition and on the other hand takes into account the specific objectives of the economy of large areas, is extremely difficult. On the one hand, the price must not be so high that any initiative for progress and rationalization on the part of the entrepreneurs is extinguished. On the other hand, a price that is too low would also entail the danger that the entrepreneurial initiative would become rigid. This would be especially the case if fixed entrepreneurial wage rates were introduced or if, which would be tantamount to this, every success in progress were automatically siphoned off by corresponding price reductions. One might soon make the observation that the skimmed profit would be compensated by "inertia costs"! With the latter remark, an important, if not the most serious problem of the future economic order is touched upon.²⁾ nnnnn) The present constriction in the field of pricing in Germany, if one wanted to make it permanent, would certainly result in considerable disadvantages for the development and technical progress of industry. Just think, for example, whether the unique technical successes of the German chemical industry (nitrogen, gasoline, light metals, Buna, etc.) could have been achieved if it had been necessary to work on the basis

of the LSE, i.e., starting from the cost price and allowing a profit of up to 10%. With such a schematic assessment of the profit, no entrepreneur would in the long run take the risk, let alone the initiative, for large-scale technical experimental work. Here, a tremendous responsibility rests on the market regulation bodies. They must not only be calculators, but also good psychologists. In each branch of industry and in each European region, the situation may be completely different. For some industries, developmental tasks are no longer given, so that the price has only to exercise the function of rationalization pressure or even of mere cost compensation. Other industries are still capable of development to a high degree. But there is another important aspect: entrepreneurs who serve progress out of love for their work and out of healthy ambition are usually content with a lower profit margin than those for whom entrepreneurial activity is primarily a means to an end, namely to the improvement of their personal living conditions.¹⁾ There it is more the joy of creating, here the pleasure of consuming, which makes life worth living. In the European area, the "costs" of the initiative can thus show a very different picture. ppppp) The difficulties of the price problem make it understandable how important it is to include price control in the central market order. A "price manager" in a specific field would never be able to settle into the real conditions of his industry to the same extent as a "product manager" in a specific field. In making this statement, we must by no means be deceived by the successes of the German price commissioner. We must take into account that the price commissioner has for years been feeding on the "initiative substance" of the German entrepreneur and that, in addition, the war has triggered a "victim initiative". We have to be aware of the fact that there will be a break in the curve of the entrepreneurial initiative and that not the market organizer will be the most successful who can constantly present his superior with "quick" price reductions, but that the one who sets the "right" price will have the final success. The success of a price policy cannot be expressed exclusively in figures. If, for example, a price reduction of 10% is decreed, the consumer will experience a concrete improvement of his purchasing power in the amount of this percentage, but what cannot be measured is the effect of this reduction on the initiative of the entrepreneur. A possible impairment of his initiative has the effect of a creeping disease. Its effect is only noticed when it is already too late. It will then be easy to see that it would have been of greater advantage to the community if it had made a "sacrifice" to the entrepreneur's initiative, that most precious commodity of an economy, in the form of foregoing a price reduction. To observe the vital forces of the economic body constantly, i.e. to estimate the behavior of the initiative potential of the entrepreneurs always correctly, can however only the market manager who has in his production area constantly close contact with the reality of the life. rrrrr) The health and growth of the body can best be assessed and promoted not by medical screening, as would be brought about by a centralized coordinated price policy, but by the good family doctor – the product manager. The product manager does not even need to put his ear very close to the body of the economy in order to be able to perceive and diagnose its slightest stirrings in time¹⁾, sssss) but for him it is often sufficient to look into the eyes of the patient in order to be able to prescribe the right medicine. ttttt) Now the advocates of the subject-area price policy will raise an objection which certainly cannot be dismissed out of hand. Rentrop-Kayser say:

"Pricing policy has a chance of success only if it is structured in a supra-technical and supra-ressort manner. A look at practice proves this; where this principle is not followed, the pricing policy has failed to be a resounding success. As a rule, therefore, the responsible head of a country's supreme price authority will have to report directly to the head of the respective government. He or she should not be below, but rather next to, the specialized ministries (trade, commerce, food, forestry, social affairs, etc.). The departments always see price issues only through their departmental glasses. The head of industry, trade and commerce, for example, usually strives to keep food prices and thus the cost of living low in order to keep wages and thus production costs low and to be able to sell his goods competitively against

other countries, while the head of agriculture, in turn, strives to increase the prices of his agricultural products in the interest of agriculture. ... It is the task of the head of price policy to balance these different interests and to align them again and again with the overall interest. Only a pricing authority that is independent in all directions can pursue a policy of "economically justified prices and charges." 1) uuuuu) The danger of a professional interest policy would undoubtedly exist if price control were included in the central product control, if the market control authorities were autocratic entities.2) However, as in the total market order all economic events do not take place autocratically but within the framework of a vvvv) large whole, on the one hand the supreme market-ordering authority will supervise its subordinate bodies with regard to their price policy. On the other hand, however, we are in no way advocating an abolition of the objective principle of organization in the price field. What we consider expedient is merely to reduce the objective price supervision to the determination and coordination of the "broad lines" of price policy. The supreme price authority has to work out the general price tendencies from the work of the market regulation bodies, on which it has to report continuously, and from this, in turn, to give the market regulation bodies practical working guidelines for their price policy. If the objective organizational body does not limit itself to the steering function, but wishes to directly determine the entire price formation from coal to the cleaning agent of the one-man business, there is too easily the danger – and also the necessity – if it works responsibly, that it will have to set up an enormous organizational apparatus and objectively examine every price winner down to its finest ramifications. The consequence, however, would be that the price authority would come very close to a specialized market regulation authority in its scope and mode of operation, which would lead to a double organization; in order to be able to do a good job, the price authority would ultimately have to take an interest in all economic processes in a production area (raw material situation, production and sales conditions). In this way, it would be performing almost the same tasks as the central market regulation bodies. But there is another aspect to consider. Just think of transferring this functional price policy to all sub-regions of the metropolitan area! One would encounter immense bureaucratic difficulties in inter-area cooperation. Such inconveniences have already emerged in the course of the expansion of state price control in the European area according to the current German model. Some European price authorities are already working with such thoroughness that they seem to prefer to do without an urgently needed wwwww) import product than to approve a large-scale price which, for example, does not comply with a certain paragraph of the price regulation. xxxxx) One must not be guided in these lines of thought by the present situation in the price field. It is clearly under the sign of "price buoyancy"; in it, therefore, the price commissioner had to gain a predominant position. The closer we get to the equilibrium between supply and demand after the end of the war, the more the price policy measures will be able to be integrated into the harmony of the overall economic policy. Indeed, if a sphere of price pressure should re-emerge here or there, the interest of economic policy should shift primarily to the production side, and thus the primacy of the technical principle of organization will clearly become apparent. yyyyy) In addition, it should be said that the way in which a manager approaches his tasks is also a decisive factor in the problem of technical or objective control in the price field. If the future price managers take the same economic initiative as the present price commissioner, they will certainly be no less successful. zzzzz) b) The cartel compensation price. aaaaaa) If it is already difficult to determine the correct output price for a single firm, the price problem becomes even more complicated if several firms produce the same product or if the production sites of an entire continent are to be brought to the same price level. Even if the starting conditions of all entrepreneurs are largely equalized, wages, raw materials, power costs, different capacities, freight rates, etc. will result in a strong differentiation of the cost price. Think, for example, of the extremely cheap electricity in Norway, the cheap wood in Sweden, the low wages in the Balkans, the favorable freight

rates of the production sites located on waterways, etc. From the multitude of different bbbbbb) service prices, prices must now be formed which represent the most appropriate link to the consumption price. cccccc) The most important balancing factor in interstate commerce has been the tariff. It will retain its importance as long as other methods of market regulation are not developed. It would be wrong to simply abolish customs duties in order to bring about large-scale economic cooperation, i.e. to establish a customs union without the function of customs being taken over by other factors of order. A mere customs union would create more disadvantages than advantages. "... And all those will be wrong who believe that through a customs union all European countries would be united, in order to set up practically only a reduction of the English world economy. Customs unions are a means of eliminating superfluous difficulties between two economies of the same level. A fundamental abolition of customs barriers in today's Europe would unnecessarily disturb and endanger the growing together of the European economies by premature experiments. "1) In many publications, the example of the German Customs Union is cited as a model for the "European Customs Union". It must be pointed out, however, that this example is not valid insofar as the industrial economy at the time of the German Customs Union was still in the early stages of development, while today's customs walls conceal many "mature" economic bodies with quite different structural forms. dddddd) In dealing with the customs problem, we must recall our presentation of the future European production order. We saw that only those capacities will have a right to exist which are justified from the point of view of large-scale economy, and that only these capacities will be guaranteed production and sales conditions within the framework of the European market organization. This, however, puts a different face on the tariff problem. Just as we see the trade policy quota slipping into the large-scale cartel quota, the tariff will be nothing more than a price factor in the context of the large-scale cartel. Since industries are already granted "protection" by production and sales agreements, the trade policy weapon of the protective and prohibitive tariff is transformed into a pure problem of finance on the one hand and cartel price equalization or consumption burden on the other. As far as the financial problem is concerned, it should first be said that, for reasons of market order, financial tariffs should be largely eliminated in the future in the European large-scale economy. This will be all the more possible the sooner the states can make up for the corresponding loss of revenue by increasing the general productivity of the large-scale economy and thus by increasing tax revenue. We need not deal with the problem of price equalization and the consumption burden in this context. It can be included in our general considerations of this problem circle. fffffff) The tariff problem of the future metropolitan economy will thus be: Not customs unions, but industrial agreements and thus, on a case-by-case basis, reduction or elimination of tariffs.1) The market regulators as well as the cartels will have to prove that industrial agreements can bring about a more expedient and flexible market order than is possible with the rigid and schematizing tariff principle. gggggg) Before we go into the subject of cartel compensation, a brief word should be said about the inter-company price compensation procedures which exist in addition to the tariff. These include, in particular, government subsidies, tax policy and rail tariff policy. In principle, we are of the opinion that a market organization unit (cartel) should use inter-company means only in very exceptional cases. The cartel is not only a performance community, but also a victim community. Therefore, the cartel must primarily carry out any price compensation within the framework of its own market organization.

The psychological significance of the primacy of cartel compensation is obvious. By using state resources, the cartel's responsibility to master the fate of the entrepreneurial community by its own efforts would be impaired. There would be a dilution of the idea of performance if the item "state aid" found its way into industrial calculations all too easily. Here, some of the mistakes of pre-war economic policy must be made good. Supra-company funds would only have to be used if the cartel community

was not able to provide the services and if a burden on the consumer was not considered desirable. Railroad tariff policy would have to intervene, for example, to help overcome the remoteness of peripheral areas from the market. Government subsidies could be used to support large new material projects. Tax policy would be used in particular to pursue ethnic and social objectives (e.g., eastern region tax policy). hhhhhh) Now we come to the large-area cartel equalization itself. The purpose of cartel equalization is to equalize different output prices, provided that producers with different production conditions "meet" in a given market sector.1) This formulation of cartel iiiiii) equalization will at first come as a surprise. Previously, "cartel equalization" was understood to mean the equalization of over- or underdeliveries in terms of volume or value. When revenue equalization took place, it usually involved offsetting over- or underpricing at a transfer price guaranteed to all cartel members (e.g., average revenue). As a rule, therefore, offsetting took place only in the sphere of quantity or revenue, but only in very rare cases did it penetrate into the sphere of cost price, in the sense that, at given prices, offsetting took place between the cost/income margins of the producers or pricing was closely based on pure cost price. Up to now, the cartel price was basically based on the cost price of the marginal enterprise.1) The other enterprises then reported so-called differential profits, i.e. they had an additional profit in addition to the "pure service prices", which already contained an appropriate profit and risk compensation. The economy has been aware of the inadequacy of this leveling procedure as long as cartels have existed. Therefore, there were constant thoughts about a "further deepening of the price policy [to the effect] that the actual production costs of the various goods would have to be more strongly reflected in the prices".2) Following this line of thought, it was hoped that increasing rationalization and standardization would lead to a leveling of the cost level. Furthermore, efforts were made to achieve more cost-just pricing by loosening price restrictions (e.g. by means of calculation cartels). However, a fundamental change in cartel pricing policy has not been achieved. On the one hand, standardization and typification have not yet progressed so far that they have had an equalizing effect on costs, and on the other hand, due to a variety of economic policy measures (e.g., labor input, raw material management, inclusion of even the least efficient capacities in the production process), cost divergences tend to be even greater than before. On the other hand, however, there has been no loosening whatsoever in the price commitments. kkkkkk) – Today, there is a lot of talk about "good operations" or "medium-quality operations". The latter is supposed to be decisive for price determination instead of the former marginal operation. It is questionable whether this method can remedy the weaknesses of marginal cost pricing. First of all, the determination of the mean value will cause some formal difficulties. Which value should be used: the simple arithmetic mean, the weighted arithmetic mean, the central value, or the densest value? The purpose of the mean value is, on the one hand, to induce the "bad" farms (those in the cost-covering zone) to improve their production conditions, and, on the other hand, not to give the better farms a more favorable pension because the farms beyond the mean value work poorly or have to stay in the market because of the supply situation. However, the first objective will often prove to be unattainable in practice. The management of poorly performing companies will have no or only indirect influence on a whole series of cost factors. The problems of the location, the size of the company, the degree of employment, the assortment of goods, the use of labor, the procurement of raw materials, the financing, etc. and the resulting differences in the cost

structure of the companies are only a few examples. Even with the best will in the world, the entrepreneur will not be able to change many cost factors, so that he would end up in the loss zone through no fault of his own. How much more difficult is the problem in the large-scale economy with its even greater differences in level! mmmmmm) Neither the calculation of prices according to marginal costs nor according to the medium-quality enterprises seems to us to be suitable to provide a basis for

the just price in the large-scale economy. Instead, we consider the "cartel compensation price" to be an appropriate and, above all, fair price basis. The cartel compensation price is a price formed by pooling the "pure output prices" of the cartel members. We understand that the price for services is the price which on the one hand leaves a reasonable profit for the entrepreneur, but on the other hand is also capable of exerting pressure for rationalization if necessary. The cartel compensation price undoubtedly achieves the most favorable price position for the consumer in so far as the differential profits which, due to unchangeable production conditions of the bad firms, would be collected by the good firms (over and above their real performance rents!) fully benefit the consumer. This demand will hardly be approved by the "good" firms. However, as we will try to prove by the following example, the cartel compensation price has a full factual and moral justification, especially in interstate commerce. nnnnnn) Let us assume for the sake of simplicity that for a certain product there are only two producers, namely a German and a Norwegian firm. These two firms will have to charge the pure output price for those quantities they sell on their home markets. They will also be able to charge this price in all other markets where they do not "meet." As a rule, reserve markets will not be included in the cartel equalization calculation because the cost price, as an expression of the natural production conditions of a country, should also reflect the natural consumption, i.e., living conditions. A new price will have to be formed in all markets where the two producers now act together. If we assume, for example, that the pure output price of the German company is RM 14,- and that of the Norwegian company is RM 10,-, the third markets will not be charged one or the other price without further ado, but a new price will have to be set taking into account the purchasing power ratios of these markets. In our example, let us assume that in third countries a wholesale price of RM 12,- is necessary or appropriate. In this case, the Norwegian company would have to bear a differential profit of RM 2,-, while the German company would have to bear a loss of RM 2,- (assuming that the full or partial non-reimbursement of a fair profit is already to be considered a loss). The cartel compensation price now requires the Norwegian company to transfer the excess profit to a cartel fund, which in turn uses it to compensate the German company for the loss-making large-volume price.¹⁾ pppppp) The following should be said about the technical side of this procedure: The settlement of over- and underprices is done via the cartel office or directly between the cartel members. As far as over- and underprices should not balance out in a certain cartel, one could think of the cartel balancing extended to the fact that the responsible "cartel office" collects or distributes the difference amounts. If possible, however, each cartel should seek full compensation within itself, so that the compensation system does not become too complicated. qqqqq) One will be inclined to regard this compensation procedure as a new bureaucratic institution which unnecessarily complicates interstate economic transactions. However, any economist familiar with the export policy of the past decade will, on closer study of this procedure, come to the conclusion that it offers a far more rrrrrr) individual and flexible means of accommodating justified interests of producers and consumers from the individual sub-regions than the hitherto customary governmental price gouging. Moreover, the system of cartel equalization will, of course, not be applicable to all areas of inter-area trade. First of all, all self-sufficient markets will be eliminated. Furthermore, in large areas of intracontinental trade, price fixing will not be necessary in such a way that the price will already be formed according to the law of supply and demand without market-regulating influence and according to principles which do not run counter to the common interest. Finally, in the case of divided markets, cartel compensation will only be considered if the level differences are particularly sharp and if significant volumes are involved. ssssss) Now we come to the justification of the factual necessity and justification of cartel compensation. The Norwegian entrepreneur will argue that his cost price is based on a higher output and therefore the excess profit cannot be taken away from him. On closer examination, this argument will prove to be untenable. First of all, we assume that the Norwegian's more favorable production costs are not based on

a false cost price for intermediate products. This possibility must be particularly emphasized in the case of the Nordic countries. The more favorable cost ratios of the Nordic producers are not least due to extremely depressed prices for German primary products, which have formed in the era of destructive competition between the German, English, American, French, etc., competitors and whose prices are not based on a false cost price for primary products. The maintenance of these prices is not justifiable in an orderly large-scale economy. If, in spite of reasonable prices for intermediate products, the Norwegian producer still has substantial cost advantages (e.g., due to cheaper electricity), it is necessary to recall our remark that the managed price is nothing other than the price of free competition economy corrected by ttttt) large-scale economic objectives. Assuming free competition between the German and the Norwegian producer, the Norwegian will hardly stick to a price of RM 12. He will lower it to RM 11,- or even RM 10,- depending on the particular circumstances (possibilities of capacity expansion, reaction of the German competition etc.). This is not a theoretical assumption, but everyday practice. We only refer to our remarks made at the beginning of this chapter about the European price conditions before the present war. If the Norwegian is now guaranteed an adequate market share at a price of RM 12 by the large-scale market system, the excess price of RM 1 or RM 2 is not his own merit, but that of the market system. Therefore, he cannot justly claim this excess profit. Another objection could be that the Norwegian company acknowledges that the overprice of RM 2.00 is an effect of the market regulation system and therefore agrees to pay it to the German producer, but not to the German producer, since this would "keep his non-performing company afloat". This objection would be valid if the German price of RM 14 were based on an uneconomic production method. However, we explicitly assumed that the price of RM 14.00 is a "correctly determined output price", i.e. that this price fixation is, to a certain extent, the macroeconomic sanctioning of the production reaching the market. Thus, our compensation system can only be a mixture of such cost differences for which a company is not responsible. The objection therefore leads to the question: Is the maintenance of the German operation justifiable in terms of location and production or not?

This question, however, would fall into the realm of considerations about the order of production. uuuuu) If we now assume that the German plant has higher cost prices as a result of remediable backwardness, it could be examined on a case-by-case basis whether the cartel community might not intervene with its price and equalization policy to enable the plant to achieve a higher level of performance. In fact, it has already been suggested³⁾ that companies with higher cost prices should be allowed to use the differential profits of other companies to raise their production to such a level that they too will be able to operate at better costs in the foreseeable future. wwwwww) The question will now arise as to how the determination of the wide compensation quotas and the setting of compensation prices will be carried out in practice. It is to be expected that, on the one hand, many companies will not be able to determine their cost prices correctly²⁾, and that, on the other hand, despite the factual and moral justification of cartel equalization, the implementation of this procedure will cause some resistance among the "better" companies. To answer this question, it is best to consider an old-style cartel negotiation. If, in the case of a cartel monopoly, marginal costs were the decisive factor in price fixing, in practice it was not the case that each cartel member brought a detailed, watertight calculation to the price fixing, possibly calculated according to a common scheme, but each participant had his "price idea" in his head which he tried to defend. This idea did not even have to correspond to the actual cost price (if the entrepreneur was at all aware of his cost price!). The more heated the price debate became and the more often the prices were negotiated, the more certain it became that the marginal cost would be determined. How will the technique of price fixing work in the future? It can be assumed that the fixing of a cartel price among the German cartel members will only be carried out in close

accordance with the cost price. It can also be assumed that the accounting system will be refined in the course

of the next few years in such a way that the cost price calculations will come closer and closer to the real production conditions. This will make it possible for the German part of the cartels and the German cartel supervisory authority to calculate a compensatory price. In many cases, however, the foreign members will not be able to determine the cost price exactly because of the inadequacy of their accounting systems. In addition, they will often be reluctant to disclose their cost ratios. If these difficulties exist, it will be the task of the cartel to determine the approximate position of the foreign companies, just as it determined the marginal company in the liberal procedure. The way in which the foreign members are to be included in the compensation calculation will have to be decided differently from case to case. If syndicates exist, no difficulties will arise. Furthermore, the foreigner will of course accept the cartel compensation without further ado if he himself is a subsidized enterprise. yyyyyy) The questions of cartel compensation are, as can be seen, of an extremely difficult nature. We have therefore been able to confine ourselves only to a presentation of its basic features and must leave the examination of its usefulness to practice. In any case, it can hardly be disputed that this procedure is most likely to meet the requirements of fair pricing. It is another matter whether true justice can always be achieved in practice. zzzzzz) 2. The consumption-oriented price. aaaaaaa) {In principle, the correctly measured service prices or compensation prices are to be set as consumption or market prices. In the long run, an economy cannot live cheaper than it is able to produce. In order to be able to live better and cheaper, it must therefore also strive to produce better and cheaper. This fundamental theorem applies to the entire economy as such, as well as to the trade in goods and services between the individual economies affiliated to it, and ultimately to every human being. The orderly large-scale economy must pay special attention to the fair measurement of performance. The people who work hard and intensively should be able to live better than those who lead a more contemplative life. Nothing is therefore more to be rejected than an artificial increase in purchasing power. The standard of living must correspond to the standard of living! cccccc) Nevertheless, in a sensibly controlled economy, it will not be possible to avoid applying "unreal prices" for a shorter or longer period of time in special cases. Such "consumption-oriented" prices thus aim at enabling consumption at such prices which are below the "cost of performance". The resulting shift in purchasing power can have two different reasons: On the one hand, it can serve to raise the purchasing power of those prices which are below the normal average of the metropolitan area, and on the other hand, it can serve to raise the purchasing power against cost prices which are particularly high as a result of synthetic production, utilization of low-value sources of raw materials, etc. The close interrelations between production-oriented and consumption-oriented prices are particularly evident here. dddddd) To discuss the problems of consumption-oriented pricing in more detail would exceed the scope of this paper. We content ourselves with the statement that there are three different possibilities of shifting purchasing power in the metropolitan area: cartel equalization, public subsidies and currency differentiation. eeeeeee) Cartel equalization would have to provide for a meaningful incorporation of underpricing into the overall price structure of the metropolitan cartel. If any shortfall in revenues were to jeopardize the production policy objectives, compensation of differential amounts via the cartel office would have to be considered. Public subsidies in their various forms will continue to play an important role in price policy, even though priority should be given to cartel compensation (see page 200). Currency differentiation would mean a shift in purchasing power between the entirety of the economies involved. The strong structural differences in the European area have already been pointed out. The countries of the North and West have approximately the same economic and social structure as Germany. In some cases, their purchasing power is even better than ours. In contrast, however, the economic structure in the east and southeast, and to some extent also in

the south, is completely different. It should be noted that the average British income before the war was six times higher than that of the Balkans. One can, so to speak, draw up an income and price level for the European area, which falls more and more from the north and west to the south and east. In order not to disturb the structural economic development of the sub-regions, one could consider introducing a currency differentiation, e.g. with some Balkan countries, or to maintain the currently existing exchange rate differences. Thus, price differentiation would eo ipso exist for any import as well as export activity between the countries concerned. However, since the functioning of a European central clearing system is severely hampered by such currency differentials, the determination of permanent exchange rate relations corresponding to performance levelsx would be preferable to any manipulations in this field. C. The clearing system. hhhhhh) The problem of market organization in the European area is not exhaustively dealt with unless clearing issues are also addressed. This is not the place to discuss all the problems of future clearing in Europe. Only the characteristic features and especially their connecting lines to the market order shall be pointed out. iiiiii) The reasons for the failure of the gold currency system need not be recorded in detail. The gold currency system was based on the assumption of complete freedom of movement of interstate payments. A prerequisite for the proper functioning of this system was, of course, a balanced balance of payments. If it was possible to balance the balance of payments, even temporarily, by using gold and foreign exchange reserves or by mobilizing intergovernmental credit, measures had to be taken to balance the balance of payments in the long run, which intervened deeply in the economic structure. These measures took the form of influencing the domestic price level and thus imports and exports through the central monetary and credit policy. The resulting regulation of the balance of trade then influenced the balance of payments in the desired way. It follows from this that the fundamental prerequisite for the functioning of the gold monetary system is a large price and wage responsiveness of the economies participating in this system. This, however, was no longer given with increasing growth of the individual economic bodies in the sense of a natural independent jiiijj) development no longer exists. If, for example, a policy of deflation no longer leads to price reductions and thus to an increase in export activity, but to economic decline and unemployment, a responsible economy can no longer adhere to such a system. It would be quite unthinkable, however, for an economic policy which consciously pursues autarkic and autonomous tendencies to subordinate itself to the "free game for gold points". In the meantime, this system – just as we saw with the liberal market order – which was certainly an ideal solution under given conditions, has suffered such shipwreck throughout the world that, if one takes an objective view, one can hardly dare to claim that German economic policy is to blame for the decline of the world economy.

kkkkkk) If the gold currency has no place in national-organic foreign trade, bilateral clearing cannot be a permanent solution either. The disadvantages of this system are well known. Whereas the "fungibility" of free foreign exchange used to allow importers to buy where they could get their goods cheapest, in bilateral trade they had to strictly comply with the conditions of clearing. The consequences could be an increase in the cost of imports, a deterioration in quality and, not least, a reduction in import opportunities. A second difficulty of the clearing agreements lay in the clearing backlogs. Not infrequently, there were waiting periods of half a year, a year and more. The exchange rates resulting from the clearing balances and their not always desirable consequences for foreign trade activity, and even for the economic structure of the partner countries, are well known. In addition to these factual difficulties, there are also the bureaucratic difficulties resulting from the various approval procedures (import permits, clearing permits). In the future large-scale economy, both the factual and the formal deficiencies must be eliminated. Planning in a large-scale economy would cheat itself out of success if "clearing", which in the end can only be a technique, would make the cooperation of productive labor in the large-scale economy difficult or even impossible. mmmmmmm) In the large-scale economy, the

solution to this problem can only lie in a meaningful harmony between freedom and commitment. The freedom of the gold exchange system and the binding function of the clearing system have to be coupled in a meaningful way. Here, multilateral clearing, or "super clearing" as it was once called, offers the desired solution. The purpose of multilateral clearing is the versatile clearing of interstate merchandise and payment traffic via a central office.¹⁾ This means that two countries, such as Germany and Denmark, are no longer bound to strict bilateralism, but Denmark can, for example, cover any asset balance in Berlin by purchases in other countries. This clearing system cannot be conceived in such a way that every state within Europe can buy indiscriminately where it wishes to buy and as far as it has credit balances on the "central account", i.e. Denmark cannot, for example, buy up all Romanian crude oil or Norway cannot buy up all Hungarian wheat, but the basis for multilateral trade is, of course, quantity regulation. Here, however, the problem of inter-area planning by the agricultural market organization or the large-scale cartel sets in again. Of course, only the production and quantity order can be the basis of the clearing system. Thus, we see that on the production order first the sales order is built, but on the sales order again the clearing order. Money thus regains its original and true purpose: it no longer decides on the course of the economy, but merely serves its technical facilitation. nnnnnnn) With the multilateral system, both the disadvantages of the gold currency system and the bilateral oooooooo) system can be largely eliminated and, moreover, the advantageous effects of these systems can still be promoted. Within the Greater Area Economy, the economic status of each sub-area is determined by its productive supply. Multilateral accounting of services ensures that each economy receives a return corresponding to its services. As a result of the predetermination of each production in the metropolitan area, substantial structural shifts (if they are not deliberately caused and thus taken into account in the overall planning)¹⁾ in the economic relations of the sub-areas, as well as economic movements, are largely eliminated. This means, however, that a deep-rooted passivity in the sub-areas' balance sheets can no longer occur; the means of the gold currency, the deflation policy, becomes obsolete. But even long-term clearing arrears need no longer exist in multilateral traffic.²⁾ They will be able to be cleared away as a result of the versatility of clearing. If, however, a sub-region should fall into effective arrears (e.g. due to bad harvests), the European Economic Community will not deprive it of the possibility of clearing and thus of importing. The corresponding amounts will be advanced to the creditor country by its clearing institution in the form of a loan. This procedure has already been applied in various agreements. Irrespective of this, however, clearing arrears will in future perhaps even to a certain extent acquire the character of liquidity reserves, so that a high balance, e.g. at the Deutsche Verrechnungskasse, would even be welcomed. ppppppp) Thus, when the issuing bank was set up in the General Government and in Belgium, provision was made for the inclusion of the credits at the Deutsche Verrechnungskasse in the note cover. In the long run, however, each European sub-region will have to provide the service which corresponds to the demands it makes on the other sub-regions. It is not acceptable that in the long run¹⁾ the European Community of Services should give an underperforming sub-region the same opportunities for living as a high-performing one. A prerequisite for the functioning of multilateral traffic is, of course, a good regulation of mutual clearing parities. Here we must refer to our remarks on "price differentiation" in the metropolitan area. qqqqqq) It is self-evident that the Berlin Clearing House, because of its central position and throughput volume, must become the clearing center of Europe and that the Reichsmark must become the leading currency. If multilateralism overcomes the former material difficulties in payment transactions, it must also bring about formal simplifications. The system of import and export licenses must and can be largely dismantled in the European area, as can the other formalities arising from the "foreign exchange compulsion". The European market organization in conjunction with the clearing system will provide sufficient guarantee for an appropriate control of the intracontinental trade in goods, so that a

"superimposed" clearing bureaucracy is unnecessary. rrrrrrr) Just as before the world war the "London disbursement", i.e. the transfer of a payment amount from the bank account of one country to the bank account of another country in London by the foreign trade merchant was a sensible institution, so in the future the "Berlin disbursement" can also be a matter of course, the difference being, however, that in London the merchant worked with a private bank, whereas now he has to deal with a central official institution. This official institution, however, not only provides him with a guarantee for the handling of the respective payment transaction, but is at the same time the expression of a monetary system which is no longer determined by chance and uninfluenceable forces, but by the will of a large-scale economy geared to fair performance evaluation, safeguarding of value and constant promotion of prosperity.